The Hatch-Waxman Act established the procedures for obtaining FDA approval for generic forms of brand-name drugs, and includes market exclusivity provisions that can delay the approval of ANDAs as well as a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification which challenges the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent.

Europe

Europe is a diverse and dynamic market, encompassing the 27 countries in the EU plus Norway and Switzerland. Despite the diversity, the European markets share many characteristics that allow us to leverage our pan-European presence and enhance our strong footprint across the region by having a broad portfolio as well as strong management teams at the country level who can call on pan-European or global resources and capabilities to support their local needs.

We have a leading or significant presence in all European countries, which allows us to benefit from a balanced business model so we are not over-dependent on any single product or market that could be affected by pricing reforms or changes in public policy. No single market in Europe represents more than 25% of our total European revenues. In addition, the assumption of the marketing responsibility of Copaxone® from Sanofi and the acquisitions of Cephalon and Theramex further diversified our European portfolio.

Our strategy in Europe is to build on our broad-based leadership position, providing a wide range of generic and branded medicines that enable us to have a comprehensive solution for our customers' needs.

The pharmaceutical market in each European country has distinct prescribing and dispensing habits, varying pricing and reimbursement mechanisms and different product ranges, although most markets are generally characterized by highly developed, government-funded healthcare and social planning, in which most healthcare is funded and often directly managed and provided by the public sector.

Some European countries, such as Germany, the United Kingdom, the Netherlands, Poland and the Czech Republic, are characterized by relatively high generic penetration of over 50% in volume. Other markets in Southern Europe have not attained such a high level of generic penetration but are moving in such direction. For example, measures introduced in several countries such as Spain and Portugal have increased generic penetration considerably. In certain European countries, there is a market for both branded generic products as well as products sold under their generic chemical names, while in others there is a market for branded generics only. Some countries, such as the U.K. and the Netherlands (so-called "pure generic" markets), permit substitution by pharmacists of the pharmaceutical product prescribed by the physician with its generic equivalent, while other countries, such as Poland, Austria and Hungary, permit pharmacists to dispense only the specific pharmaceutical product prescribed by doctors. In Germany, France, Italy, Spain and Portugal, as in certain Central and Eastern European countries, the market is a hybrid, with elements of both approaches. In markets such as Germany and the Netherlands, national health insurance funds play an increasingly important role in decision making. In these markets, the health insurance funds determine through tenders the products that are to be preferred for the patients that are insured at the specific fund.

Growth in the European healthcare market is driven by an aging population requiring significant healthcare services. The European financial crisis, which has strengthened the need of governments to implement public spending reductions, has resulted in growth for generic pharmaceuticals, since many European governments have begun taking action to encourage the use of generics. Pricing and reimbursement mechanisms in Europe are typically set by government regulation and are used to regulate or influence market behaviors, for example by encouraging the use of generics. In many markets, such as Spain, Germany, Italy and Finland, reimbursement for generic prescription pharmaceuticals is based on the price of a reference, or comparable, branded pharmaceutical. Other markets, such as France and Austria, require the price of a new generic product to be a certain percentage lower than the originator brand. In the United Kingdom, retail generic pricing is set by the market, but reimbursement is determined by regulations based on pharmacy purchase profit.

We are active in all sales channels in the European healthcare market. The go to market model in each country depends on the local environment and the local market needs. In some markets our sales activities are more focused on general practitioners and specialist doctors. In other markets we work very closely with pharmacies or pharmacy chains, wholesalers or health insurance funds.

Generic Pharmaceuticals

We are the leading generic pharmaceutical company in Europe overall, and the generic market leader in 11 European countries, including the United Kingdom, Italy, Spain, the Netherlands, Portugal and Switzerland. We are one of the top three companies in a number of other countries, including France, Poland and the Czech Republic. In Germany, the completion of the integration of ratiopharm enhanced our position and by the end of 2011, we were number one in generics by volume and by value. The acquisition of Cephalon and its Swiss-based Mepha generics business further enhanced our market position in Europe by adding significant generic businesses in Switzerland and in Portugal. As a result of the acquisition, we are now the market leader for generic pharmaceuticals in Switzerland and we further enhanced our leadership position in Portugal.

As of December 31, 2011, Teva had received 1,241 generic approvals in Europe relating to 152 compounds in 331 formulations, including 10 European Medicines Agency ("EMA") approvals valid in all EU member states. In addition, Teva had approximately 2,530 marketing authorization applications pending approval in 30 European countries, relating to 288 compounds in 546 formulations, including 11 applications pending with the EMA.

Our European pipeline includes generic versions of branded products with approximately $77 billion of total annual branded market sales in 2011.

Branded Pharmaceuticals

Our branded pharmaceuticals infrastructure in Europe was significantly enhanced in 2011 by the ongoing transfer of the marketing responsibility for Copaxone® from Sanofi to Teva, which was completed in the remaining European markets on February 1, 2012, and by the acquisition of Cephalon and Theramex.

As a result of the Cephalon acquisition, we added important branded products like Provigil® (modafinil), Effentora® (fentanyl buccal tablet), Spasfon® (Phloroglucinol), Myocet® (liposomal doxorubicin) and Actiq® (solid fentanyl) to our European portfolio. These products are sold in many markets across Europe, mainly France, the United Kingdom, Germany, Spain and Italy, either directly by us or through third party distributors.

Other Activities

Our other activities in Europe comprise mainly of the OTC joint venture with P&G, with Germany, Poland, Hungary and the Czech Republic being our main OTC markets, and our pharmaceutical distribution activities in Hungary.

Listed below are our largest European operations in terms of size:

In **Germany**, the largest European generic market, we were the second largest generic pharmaceutical company in terms of sales in 2011, with a product portfolio that includes 400 molecules. In addition, by the end of 2011, we achieved the number one position in the generic market both in volume and value.

With the transfer of the marketing responsibility of Copaxone® and the acquisition of Cephalon late last year, our branded business has been significantly strengthened in Germany. Our ratiopharm brand became the number one generics brand in Germany; and the well-established ratiopharm OTC business is a substantial contributor to our joint venture with P&G.

In May 2011, we gained over 20% of the overall AOK tender volume for that year's tender, representing a fivefold increase over our results in the AOK tender in 2009. AOK is the largest health insurance fund in Germany covering approximately one-third of the German population.

In 2011, we launched a number of generic products, such as Femara® (letrozole), ReQuip® (ropinirole ER), Diovan® (valsartan and valsartan/HCTZ) and Zyprexa® (olanzapine).

In **France**, we are the third largest generic pharmaceutical company in terms of sales, with a portfolio of approximately 230 molecules in approximately 620 dosage forms and packaging sizes. As a result of the acquisitions of Cephalon and Theramex, Teva became the fifth-largest branded pharmaceutical company in France in terms of prescriptions and eighth in terms of sales. Key branded products added through these acquisitions include Spasfon® (phloroglucinol), Modiodal® (modafinil), Vogalene® (metopimazine), and Vogalib® (metopimazine).

In 2011, we launched 143 new products or new dosage forms, including the generic versions of Inexium® (esomeprazole), Zyprexa® (olanzapine), Tareg® (valsartan) and Cotareg® (valsartan HCTZ).

In the **United Kingdom**, we are the leading generic pharmaceutical company in terms of prescriptions and sales, and we are the largest supplier by volume to the National Health Service. We have a portfolio of more than 300 molecules and maintain the largest sales force in the generic industry, focusing on independent retail pharmacies.

In 2011, we launched 30 new products or new dosage forms, including the generic versions of Nexium® (esomeprazole), Xenical® (orlistat), Serevent® (salmeterol), Zyprexa® (olanazapine) and Diovan® (valsartan).

In **Italy**, we are the leading generic pharmaceutical company in terms of sales, with a generic portfolio of 157 molecules in 323 dosage forms and packaging sizes.

In 2011, we launched 29 new molecules. Among others, we launched the generic versions of Arimidex® (anastrozole), Nexium® (esomeprazole), Levoxacin® (levofloxacin), Zyprexa® (olanzapine), Tareg® (valsartan), and Cotareg® (valsartan+HCTZ).

In **Spain,** we established our position as the leading generic company in terms of sales. During 2011, we also entered the women's health market with the launch of our branded generic version of Yasmin®/ Yasminelle® (drospirenone and ethinyl estradiol), the largest-selling oral contraceptive product.

Our generic product portfolio has approximately 290 molecules in 750 dosage forms and packaging sizes.

During 2011, we launched 26 new products and 87 new dosage forms and packaging sizes, including generic versions of Yasmin® and Yasminelle® (drospirenone – ethynilestradiol), Zyprexa® (olanzapine), Diovan® and CoDiovan® (valsartan and valsartan—HCTZ), Axiago® (esomeprazole), Evista® (raloxifene) and Bonviva® (ibandronic acid).

Competitive Landscape. In Europe, we compete with other generic companies and brand drug companies that continue to sell or license branded pharmaceutical products after patent expirations. We also compete with other branded companies that are active in the same therapeutic areas as our branded products.

The generic market in Europe is very competitive, with the main competitive factors being price, fast entry to market, reputation, customer service and breadth of product line. In addition, as in the United States, the generic market also faces competition from brand pharmaceutical companies that try to prevent or delay approval of generic equivalents through several tactics.

In *Germany*, there is a high rate of generic penetration with a relatively high number of competitors of varying sizes and capabilities. Tenders are an important feature of the German market, operated by approximately 200 statutory healthcare funds across Germany, and are a result of reforms initiated by the government that have also shifted the market from a physician-influenced branded model to a payor-influenced substitution model, representing a key opportunity for generics. Although tenders in Germany do not represent the majority of all pharmaceutical purchasing, they are a significant market influence and have contributed to pricing pressure in the German retail market.

In *France,* there is an increasingly competitive landscape with pricing pressure largely due to the existence of large pharmacist buying groups and to the French government's efforts to control healthcare costs by imposing significant price decreases.

The *United Kingdom* is a 'pure' generic market with low barriers to entry and high generic penetration. In general, retail pricing of generics to the pharmacy is unregulated leading to strong price-led competition although pricing is heavily influenced by the 'Category M' scheme that creates a finite amount of reimbursement profit for pharmacies.

In *Italy*, there is a relatively low but fast-growing rate of generic penetration but with an increasing level of influence, and ability to substitute, by the pharmacist. The market is influenced by the twenty semi-autonomous regional governments and by the growth of regional independent pharmacy groups, which has resulted in increased competition among generic companies. Recent healthcare reforms prompted in part by the new government and its austerity programs are encouraging generic dispensing and offsetting the reduction in growth in the overall Italian pharmaceutical market.

In *Spain*, the generic pharmaceutical market is largely represented by local companies. We expect generic penetration to further increase in the Spanish market, as a 2011 Royal Law Decree mandates prescription by molecule rather than by brand.

Regulatory Highlights. In Europe, marketing authorizations for pharmaceutical products may be obtained through a centralized procedure involving the EMA, a mutual recognition procedure which requires submission of applications in other member states following approval by a so-called reference member state, or a decentralized procedure that entails simultaneous submission of applications to chosen member states.

During 2011, we continued to register products in the EU, using both the mutual recognition procedure and the decentralized procedure. We continue to use the centralized procedure to register our generic equivalent version of reference products that originally used this procedure.

Rest of the World Markets

Our Rest of the World markets include all countries other than the United States and those included under Europe. The markets making up the region are varied, ranging from highly regulated, pure generics markets such as Canada, to hybrid markets such as Japan and Brazil, to branded generics markets such as certain Commonwealth of Independent States markets and Latin American markets. The region includes several countries and areas that are characterized by rapid growth and relatively high sales of branded generic and OTC products (for example, Russia), and several that have lower growth rates, and more significant generic penetration rates, such as Canada.

Below are details of our operations in selected Rest of the World markets:

Japan. Teva is one of the top three generic pharmaceutical companies in Japan, having established its presence via several recent transactions:

- in 2008, the formation of the Teva-Kowa joint venture;
- in 2009, Teva-Kowa's acquisition of a majority interest in Taisho Pharmaceutical Industries, a generics company with over 200 products;

- in October 2010, Teva-Kowa's acquisition of the remainder of Taisho;
- in July 2011, our acquisition of Taiyo, the third largest generics manufacturer in Japan, with a portfolio of over 550 products, and a strong market presence in all major channels of the Japanese pharmaceutical market; and
- in September 2011, the acquisition of Kowa's interest in the Teva-Kowa joint venture.

Japan is the second largest pharmaceutical market worldwide, estimated at approximately $105 billion in 2011. Generic penetration is estimated at 23% of volume and 7% of value, and is expected to increase further following a number of key patent expiries over the next few years and especially as a result of government actions. The Japanese pharmaceutical market is in process of transforming from a branded generics market, driven by physicians' choice of brands, to a pharmacy substitution market. In addition, there is evidence of the slow emergence of pharmacy chains which we expect will enhance, to some extent, generic penetration. At present, almost half of generic drugs are sold in pharmacies, a quarter is dispensed by hospitals, and a fifth is sold by physicians.

Generic drugs are distributed by large wholesalers, which distribute both branded and generic products, and by "Hanshas," small agents specializing in the sale of generics. Direct sales are extremely limited due to the highly fragmented nature of the market. Teva has established strategic partnerships with key national and regional wholesalers and the top Hanshas in order to ensure distribution of our products to all customer segments.

Competitive Landscape. The Japanese generic pharmaceutical market is relatively fragmented but is in the process of consolidating. The leading four generic pharmaceutical companies now capture approximately 50% of the market. The market is being further transformed by the entry of global branded companies into the generics business and new alliances between local generic companies and global generic players.

Regulatory Highlights. The registration of existing or new generic drugs in Japan is subject to Pharmaceutical and Medical Device Agency (PMDA) approval and requires carrying out bio-equivalence studies, as well as upholding stringent quality requirements. Generic prices are regulated by the PMDA and set at 70% of the equivalent branded drug prices, with additional price reductions of approximately 8-10% every two years.

The Japanese government provides universal healthcare coverage, and more than 85% of healthcare expenses are paid by the government. In order to reign in growing healthcare costs due to an aging population, in 2008 the Japanese regulator initiated a coordinated policy to promote the usage of generic drugs via a series of targeted incentive programs, with the goal of reaching 30% generic penetration by 2012. In April 2010, a new financial incentive scheme was established, encouraging pharmacies to substitute generic drugs for branded ones. This led to a significant increase in generic penetration by volume (from 18% to 23% currently). The next reform is expected in April 2012 and should further enhance generic penetration.

Canada. In Canada, we manufacture and market prescription pharmaceuticals and are now one of the two leading generic pharmaceutical companies in terms of prescriptions and sales. Our generic product portfolio includes 300 products in 1,256 dosage forms and packaging sizes. Our brand portfolio is primarily comprised of Copaxone® and Azilect®.

Our generic sales force in Canada markets generic products to retail chains, retail buying groups and independent pharmacies—reaching approximately 8,800 outlets. Canada continues to see consolidation of independent retail pharmacies and increased expansion of retail chains and buying groups: the top five retail chain customers in Canada represent approximately half the market (in terms of value). Our customer base continues to change as the number of independent community pharmacies decreases at the expense of chain drug and aligned store groups, which work closely with selected suppliers for specific products as well as increased

government regulation on pricing. These larger customers look to generic suppliers to timely launch cost-effective generic products, maintain high levels of product availability and provide increased levels of overall customer value and service.

Competitive Landscape. In Canada, the competitive landscape continues to intensify with the increasing presence of multinational companies. The five major generic companies (including Teva), most of which are subsidiaries or divisions of global manufacturers, satisfy approximately 80% of the Canadian demand for generic pharmaceuticals. In addition, the major branded pharmaceutical companies have intensified their efforts to compete with the generic players, and are now offering incentives to patients and customers to offset generic cost savings. In addition, several of our customers have intensified their efforts to provide private label products, which may also compete with our products, though our strategy is to become key suppliers to these retail chains.

Regulatory Highlights. The Canadian federal government, under the Food and Drugs Act and the Controlled Drug and Substances Act, regulates the therapeutic products that may be sold in Canada and the applicable level of control. The Therapeutic Products Directorate ("TPD") is the national authority that evaluates and monitors the safety, effectiveness and quality of drugs, medical devices and other therapeutic products. The TPD requires companies to make an abbreviated new drug submission in order to receive approval to manufacture and market generic pharmaceuticals.

The issuance of a market authorization or "Notice of Compliance" is subject to national regulations which provide both data exclusivity and patent protection to innovative pharmaceutical companies.

Russia. We are the second largest generic company and one of the top five pharmaceutical companies in Russia, offering a diverse portfolio of generic products, OTC pharmaceutical products, and branded products, including primarily Copaxone®. We have a portfolio of approximately 130 products sold to both retail and hospital channels.

Russia is primarily a branded generic, out-of-pocket, cash-pay market, although selected government-funded products included for reimbursement are procured using a tender process. The life-saving products that are included in the reimbursement list, including Copaxone®, are subject to tenders and price-setting by the government. The government seeks to encourage the use of generic products in order to reduce the cost of pharmaceuticals. Russian pharmaceutical law is currently under review, with a focus on increasing access and controlling pricing of products.

Competitive Landscape. The Russian market comprises large local manufacturers as well as international pharmaceutical companies, both generic and innovative. All competitors provide product education to physicians via medical representatives. As part of Russia's 2020 pharmaceutical strategy, companies with a local manufacturing presence will receive favorable treatment. In 2011, Teva announced its commitment to build a manufacturing facility in Yaroslavi, Russia, which is expected to be operational by 2014.

Regulatory Highlights. The Russian government is implementing its 2020 pharmaceutical sector strategy which emphasizes localization of production and aims to harmonize the Russian pharmaceutical regulations with international principles and standards. Russia's new pricing regulations, which took effect in 2010, impose price restrictions on pharmaceuticals listed on the new Essential Drug List (EDL). In accordance with this new legislation, as of January 1, 2010, EDL manufacturers must perform annual registrations of the maximum factory price calculated according to the methodology of the Ministry of Health. The law does not regulate prices for medicines that are not essential medicines. The new legislation also includes safety measures, to be implemented by January 1, 2014, with the goal of ensuring production of high-quality pharmaceuticals.

Commonwealth of Independent States ("CIS"). In the CIS countries, primarily Ukraine and Kazakhstan, our position in the market was significantly strengthened by the acquisition of ratiopharm. In both Ukraine and Kazakhstan, we are among the top ten pharmaceutical companies. The Ukraine pharmaceutical market is

characterized by low government involvement, and is mostly driven by purchasing by the patients. However, the government plans to introduce a reimbursement system by 2015. In Kazakhstan, the local government purchases prescription drugs via tenders.

Israel. We are the leading provider of professional healthcare products and services in the Israeli market. In addition to generic, branded and OTC pharmaceutical products, we sell and distribute a wide range of healthcare products and services, including consumer healthcare products, hospital supplies, dialysis equipment and disposables, diagnostics and home care services. Our Israeli product portfolio also includes products sold under licensing arrangements. Our distribution company, Salomon Levin and Elstein Ltd., provides logistical support for the selling and distribution activities of Teva in Israel, which include distribution of products of third parties, including several multinational pharmaceutical companies.

The Israeli market is dominated by four government-mandated health funds which provide an extensive range of healthcare services, including pharmaceuticals, to all citizens. Prices for our products in Israel are significantly affected by pricing regulations and governmental policies, as well as the structure of the market.

Competitive Landscape. Our products compete with those of other local manufacturers, as well as with imported products. Generic competition has increased in recent years in Israel, and this trend is expected to continue, with additional pressure on prices coming from the healthcare funds and other institutional buyers. The introduction of private labels into the retail market has increased competition in the OTC market, a trend that is expected to intensify.

Regulatory Highlights. The Israeli Ministry of Health requires pharmaceutical companies to conform to internationally recognized standards. Other legal requirements prohibit the manufacturing, importation and marketing of any medicinal product unless it is approved in accordance with these requirements.

In 2005, the Israeli parliament (Knesset) enacted new patent legislation that ensures that a patent term extension in Israel will terminate upon the earliest of the parallel patent term extension expiration dates in the U.S., Europe and several other countries. The Knesset also ratified legislation that provides for data exclusivity provisions, which may prevent the marketing of a generic product for a period of five and a half years from the first registration of the innovative drug product in any one of a number of specified Western countries. In February 2010, the Government of Israel signed an agreement with the United States Trade Representative that will result in new legislation modifying both the patent term extension provisions and the data exclusivity provisions, and extending the protection afforded to innovative products. In 2011 legislation was approved which prevents the marketing of a generic product for a period of six and a half years measured from the first registration of the innovative drug product in any one of a number of specified Western countries. The remaining legislation contemplated in the agreement with the United States Trade Representative is still pending.

Israeli pricing regulations use a reference pricing mechanism which takes into account pricing in several European countries, leading to relatively low prices in the market.

Latin America. We market a broad portfolio of products in Latin America, distributing our products in most Latin American countries. In most cases, these products are manufactured in our facilities in Mexico, Chile, Argentina and Peru. We have a strong presence in the major markets leveraging our local, regional and global supply chain for generics, branded generics, OTC, and branded products. During 2011, we continued to expand our presence in the largest markets by adding new therapeutic classes and strong performance in our existing product portfolio.

Brazil, Mexico, Venezuela, Colombia and Argentina are the largest pharmaceutical markets in the region, with substantial local manufacturing and, due to the historical absence of effective patent protections for innovative drugs, a history of reliance on generic and branded generic products.

Total pharmaceutical retail sales in the region exceeded $59 billion in 2011 and, according to IMS forecasts, the Latin American pharmaceutical market is expected to grow at an average annual rate of approximately 13% through 2014.

We intend to further expand our operations in Latin America, taking advantage of the expected increases in spending on healthcare (and on pharmaceuticals in particular), stronger regional economic performance and growing populations, leveraging our strong local presence, global product portfolio and manufacturing expertise.

Competitive Landscape. In Latin America, the pharmaceutical market is generally fragmented, with no single company enjoying market dominance in the region. Local generic companies predominate, especially in Brazil, Argentina and Chile. These local companies, as well as multinational brand companies, compete with our local operations in all of the markets. Our strengths in the region include our comprehensive range of products, which cover a wide range of therapeutic categories, strong sales forces and the opportunity to leverage our global product portfolio.

Regulatory Highlights. Historically in Latin America, local governments did not distinguish between innovative pharmaceuticals, OTC and generic drug products, and many pharmaceutical companies in the region engaged in the production of drugs still under patent in their countries of origin or off-patent drugs sold under a local brand name, in accordance with local laws that may not have required bioequivalence testing. In recent years, however, Latin America has seen increased enforcement of intellectual property and data protection rights. The market has also been characterized by an increased demand for high-quality pharmaceutical products as the major markets in the region have adopted more stringent regulations governing pharmaceutical product safety and quality. Nevertheless, pricing pressures for pharmaceutical products, which are subject to direct or indirect price controls in many countries in Latin America, are expected to continue to exert political and budgetary constraints that may foster the continued growth of generics but may have a negative impact on pricing. With respect to biosimilars or follow-on biologics, new regulatory pathways for approval have either been approved or are in development in the region.

Operations and R&D

Research and Development

We have research and development activities supporting all business activities—generic pharmaceuticals (including API) as well as innovative and biosimilar pharmaceuticals.

Our ***Global Generic R&D*** is in charge of developing products, covering all therapeutic areas, which are equivalent to innovative pharmaceutical products. Our emphasis is on developing high-value products, including those with high barriers to entry.

The activities of Global Generic R&D include product formulation, analytical method development, stability testing, management of bioequivalence and other clinical studies, registration and approval of numerous generic drugs for all of the markets where we operate.

Global Generic R&D has expanded its capabilities beyond tablets, capsules, liquids, ointments and creams to other dosage forms and delivery systems, such as matrix systems, special coating systems for sustained release products, orally disintegrating systems, sterile systems such as vials, syringes and blow-fill-seal systems, drug device combinations and nasal delivery systems for generic drugs.

The division operates from development centers located in the United States, Israel, India, Mexico, Europe, Latin America and Canada.

Our API R&D focuses on the development of processes for the manufacturing of API, including intermediates, chemical and biological (fermentation), which are of interest to the generic drug industry, as well as for our proprietary drugs. Our facilities include a large center in Israel (synthetic products and peptides), a large center in Hungary (fermentation and semi-synthetic products), a facility in India and additional sites in Italy, Croatia, Mexico and the Czech Republic (for development of high-potency API). Our substantial

investment in API R&D generates a steady flow of API products, enabling the timely introduction of generic products to market. The API R&D division also seeks methods to continuously reduce API production costs, enabling us to improve our cost structure.

Our ***Global Branded R&D*** was significantly enhanced as a result of the Cephalon acquisition, and our integrated pipeline includes product candidates in a variety of therapeutic areas, such as CNS, oncology, respiratory and women's health. We focus on novel drug candidates, branded products that utilize specific proprietary devices or technology, and biosimilars. We supplement our branded pipeline by in-licensing products mainly in clinical stages. We also hold investments in early stage companies that we believe have promising technologies or products.

We have identified biopharmaceuticals—in particular, biosimilars—as an important long-term growth opportunity. During the next decade, over 85% of current biopharmaceutical sales are expected to face competition from generic versions known as biosimilars, which are biological products that have the same structure and activity as an already marketed biological entity (the "reference product"), with a target site and/or mechanism of action, if known, as described in the innovator's documentation for such reference product. In furtherance of our plans to take a leading role in the biosimilars field, we have established a dedicated research, development and manufacturing infrastructure. Our biopharmaceutical R&D facilities specialize in different technologies. Finished dosage biopharmaceutical manufacturing is carried out in our existing sterile manufacturing facilities. Our proprietary albumin fusion and glycopegylation technologies serve as technology platforms for the creation of long-acting products.

Our joint venture with Switzerland-based Lonza Group Ltd. provides us with access to the expertise and infrastructure of the world's largest producer of biological API. Products in development by our joint venture with Lonza include rituximab, a biosimilar version to Mabthera™/Rituxan™.

Below is a table listing selected pipeline products in clinical development:

Project / Compound	Potential Indication	Clinical Phase	Formulation
CNS			
Glatiramer acetate 0.5ml (Copaxone®)	Relapsing-remitting multiple sclerosis	III	Subcutaneous
Glatiramer acetate 40mg (Copaxone®)	Relapsing-remitting multiple sclerosis	III	Subcutaneous
Laquinimod	Relapsing-remitting multiple sclerosis	III	Oral
Tamper deterrent hydrocodone	Chronic pain	III	Oral
R-Modafinil (Nuvigil®)	Adjunctive therapy for treating bi-polar depression disorder in adults	III	Oral
RESPIRATORY			
Beclomethasone dipropionate HFA Nasal (Qnasl™)	Allergic rhinitis	FDA submission	Nasal
ProAir™ HFA Dose Counter	Asthma/COPD	FDA submission	Inhalation
Albuterol Spiromax	Asthma/COPD	II completed	Inhalation
Reslizumab (Cinquil®)	Eosinophilic asthma	III	Subcutaneous
Budesonide Formoterol Spiromax	Asthma/COPD	II	Inhalation
Fluticasone Salmeterol Spiromax	Asthma/COPD	II	Inhalation
Fluticasone Salmeterol HFA	Asthma/COPD	II	Inhalation

Project / Compound	Potential Indication	Clinical Phase	Formulation
ONCOLOGY			
Omacetaxine	Chronic Myelogenous Leukemia (CML) patients who have failed two or more tyrosine kinase inhibitor (TKIs)	FDA submission	Subcutaneous
Balugrastim—albumin-fused G-CSF	Neutropenia cancer	Phase III Complete	Subcutaneous
XM 22—glycoPEGylated G-CSF (Lonquex®)	Neutropenia cancer	Submitted in EU and Russia	Subcutaneous
OGX-011/TV-1011	Metastatic castrate resistant prostate cancer	III	Intravenous
Bendamustine hydrochloride (Treanda®)	Front line NHL	III	Oral
Obatoclax	Small cell lung cancer	Phase II completed	Subcutaneous
CARDIOVASCULAR			
Mesynchymal Precursor Cells (Revascor®)	Congestive heart failure	III (to begin Q2/2012)	Intracardiac Injection
WOMEN'S HEALTH			
Progesterone Vaginal Ring (Milprosa™)	Luteal support for in vitro fertilization	FDA submission	Vaginal Ring
Oxybutynin Vaginal Ring	Overactive bladder	Phase III Complete	Vaginal Ring
XM17—Follitropin alfa	Infertility, Female; Anovulation; Reproductive techniques, assisted; Hypogonadism	Phase III Complete	Subcutaneous
Desogestrel and ethinyl estradiol (LeCette™)	28-day oral contraceptive	III	Oral
Levonorgestrel desogestrel and ethinyl estradiol (Quartette™)	91-day extend regimen oral contraceptive	III	Oral
OTHER			
NexoBrid®	Removal of burn-injured tissue	EMA submission	
Allogenic Stem Cells (StemEx®)	Cord blood transplant for leukemia and lymphoma	III	
DiaPep 277	Type I diabetes	III	
Mesynchymal Precursor Cells (Revascor®)	Acute myocardial infarction	II	Intracardiac Injection
Laquinimod	Crohn's disease	I/II Complete	Oral
Laquinimod	Lupus nephritis and lupus arthritis	I/II	Oral
CEP-37247 (anti-tumor necrosis factor)	Sciatica (administered by the transforaminal epidural route)	II	Epidural Injection

CNS

Laquinimod is a once-daily, orally administered immunomodulatory compound being developed for treatment of relapsing-remitting multiple sclerosis. We acquired the exclusive rights to develop, register, manufacture and commercialize laquinimod worldwide from Active Biotech. Under the agreement, we made an upfront payment to Active Biotech and will be required to make additional payments upon the achievement of various sales targets and other milestones, with maximum payments of $92 million. Active Biotech will also receive tiered double-digit royalties on sales of the product.

In April 2011, we announced the final results of the ALLEGRO Phase III study. The results demonstrated that relapsing-remitting multiple sclerosis patients treated with 0.6 mg daily oral laquinimod experienced a statistically significant reduction in annualized relapse rate compared to placebo. Additional clinical endpoints, including significant reduction in disability progression, as measured by EDSS, were also achieved. In August 2011, we announced the results of BRAVO, a second Phase III study. In this study, the primary endpoint of reduction in annualized relapse rates did not reach statistical significance. The observed safety and tolerability profile of laquinimod in both the ALLEGRO and the BRAVO trials was considered favorable. In October 2011, we held a meeting with the FDA to discuss the possibility of filing an NDA for laquinimod. Following the meeting, we believe it would be premature to file an NDA at this time. Further clinical studies of laquinimod as monotherapy and add-on therapy in patients with relapsing-remitting multiple sclerosis are currently under review.

Laquinimod is currently in Phase II development for Crohn's disease and in Phase I/II studies for lupus nephritis and lupus arthritis. Results of each of these studies are expected in 2012.

Tamper Deterrent Hydrocodone is our formulation of hydrocodone utilizing our OraGuard™ technology, which provides deterrence against various tampering methods, including chewing, aqueous extraction for IV dosing and alcohol extraction. Results of our Phase III studies for the management of chronic pain are expected in 2012.

RESPIRATORY

We are focusing on developing products based on our proprietary delivery systems, including Easi-Breathe®, an advanced breath-activated inhaler, Spiromax®/Airmax®, a multi-dose dry powder inhaler, and Steri-Neb®, the advanced sterile formulations for nebulizers. This strategy is intended to result in "device consistency", allowing physicians to choose which device best matches a patient's needs both in terms of ease of use and effectiveness of delivery of the prescribed molecule for the therapeutic need.

Qnasl™ (beclomethasone dipropionate) is a nasal aerosol corticosteroid in development for the treatment of perennial allergic rhinitis (PAR) and seasonal allergic rhinitis (SAR). Results of two Phase III studies, one for SAR and one for PAR, demonstrated significantly greater symptom relief compared to placebo. Based on these results, in May 2011, we submitted a New Drug Application (NDA) to the FDA.

Albuterol Spiromax is a dry-powder inhaler formulation of Albuterol in our novel Spiromax® device that is designed to be comparable to ProAir™ HFA. Results of two safety and efficacy studies indicated that the safety, efficacy, pharmacokinetic and pharmacodynamic profile of Albuterol Spiromax® was comparable to that of the marketed product, ProAir™ HFA MDI. The Phase III program is expected to begin in 2012.

Cinquil® (reslizumab) is an investigational humanized monoclonal antibody (mAb) against interleukin-5 (IL-5). IL-5 has been shown to play a crucial role in the maturation, growth and chemotaxis (movement) of eosinophils, inflammatory white blood cells implicated in a number of allergic diseases. We are investigating Cinquil® in Phase III studies as a possible treatment for eosinophilic asthma. Results of these studies are expected in early 2014.

ProAir™ Dose Counter is an actuator with integrated dose counter which was developed for use with our ProAir™ HFA MDI aerosol device. In November 2011, we submitted an sNDA to the FDA.

Budesonide Formeterol Spiromax® is designed to be comparable to Symbicort® Turbuhaler®, delivered through Spiromax®—our novel inhalation-driven multi-dose dry powder inhaler technology. Results of our clinical studies are expected in 2012.

Fluticasone Salmeterol Spiromax® is designed to be comparable to Seretide® Diskus, delivered through Spiromax®—our novel inhalation-driven multi-dose dry powder inhaler technology. We expect to complete the clinical studies in 2012. In addition we are also developing a new formulation of this combination using our Spiromax® device with an enhanced lung delivery allowing us to use lower doses to achieve the same clinical outcomes as Advair® Diskus. Phase II trials are scheduled to begin in 2012.

Fluticasone Salmeterol HFA MDI is designed to be comparable to Advair®/Seretide® HFA, delivered in a well established press-and-breath device. We expect to complete the clinical studies in 2012.

ONCOLOGY

Omacetaxine is under development for the treatment of chronic myelogenous leukemia (CML) patients who have failed two or more tyrosine kinase inhibitors (TKIs). We have granted marketing rights for the product to Hospira in Europe, the Middle East and certain African countries. We expect to submit an NDA to the FDA by mid 2012.

Balugrastim is a long-acting G-CSF using the albumin-fusion technology initially developed by Human Genome Sciences to prolong plasma half-life. Balugrastim is designed to provide clinical efficacy and safety profiles which are fully comparable to Neulasta®. In July 2011, Teva entered into a settlement agreement with Amgen to resolve our litigation concerning certain of our G-CSF products in the United States. We agreed to an entry date of November 10, 2013 for our balugrastim and filgrastim products in the United States. In exchange, we consented to validity and enforceability of the patent in dispute and to infringement of our filgrastim product in the United States. We have maintained our ability to contest infringement of our balugrastim product. We expect to submit balugrastim for registration in the United States and in Europe in 2012.

Lonquex® (Lipegfilgrastim) is a long-acting G-CSF based on glycopegylation technology. Glycopegylation of G-CSF leads to a prolonged plasma half-life. Lonquex® was shown to provide clinical efficacy and safety profiles which are fully comparable to Neulasta®. Lonquex® was submitted for registration in EU and in Russia, and is expected to be submitted in the United States in 2012.

Custirsen/TV-1011 (OGX-011). In December 2009, Teva and OncoGenex entered into a global license and collaboration agreement to develop and commercialize custirsen/TV-1011/OGX-011. Custirsen is an antisense drug developed by Isis Pharmaceuticals Inc. and licensed to OncoGenex, and is designed to inhibit the production of clusterin, a protein associated with cancer treatment resistance. Custirsen was developed to increase the efficacy of chemotherapeutic drugs and may have broader market potential to treat various indications and disease stages.

In 2010, we initiated two Phase III studies in castrate resistant prostate cancer patients ("CRPC"). These two ongoing Phase III studies include a randomized, double-blind, placebo-controlled, Phase III study evaluating the pain palliation benefit of adding custirsen to a taxane for second-line chemotherapy in men with CRPC as well as a randomized study comparing standard first-line docetaxel/prednisone to docetaxel/prednisone in combination with custirsen in men with metastatic CRPC.

Obatoclax. Obatoclax is a Pan Bel-2 inhibitor with particular potency for the dominant protein Mel-1 currently being studied to treat patients with small cell lung cancer and myeloma. We expect to commence our Phase III study of Obatoclax for treatment of extensive-stage small cell lung cancer in combination with carboplatin and etoposide as first-line therapy in 2012.

CARDIOVASCULAR

Revascor® (mesynchymal precursor cells) is comprised of human stem cells, the immature cells that give rise to different types of mature cells that make up the organs and tissues of the human body. In December 2010, we entered into a strategic alliance with Mesoblast Ltd. to develop and commercialize Mesoblast's mesenchymal precursor cell therapeutics for hematopoietic stem cell transplantation in cancer patients, certain central nervous system disorders, as well as certain cardiovascular conditions, including congestive heart failure and acute myocardial infarction.

In January 2011, positive interim results from the ongoing multi center Phase II trial of Revascor® for patients with congestive heart failure were announced. Congestive heart failure remains a leading cause of hospital admissions, morbidity and mortality in the Western world. Heart failure affects as many as 20 million people worldwide. Based on the positive Phase II results and assuming timely finalization of the Chemistry, Manufacturing Controls requirements, we are planning to initiate a Phase III study during 2012.

WOMEN'S HEALTH

Progesterone vaginal ring (Milprosa™) is a silicone-based, flexible ring designed to be dosed weekly for luteal support for in vitro fertilization. Clinical studies indicated that Milprosa™ is not inferior to the approved progesterone gel and that the product was safe and well-tolerated, with a profile consistent with the known profile of progesterone. We filed an NDA with the FDA in 2010 and received a complete response letter in 2011 requiring a Phase IV study. We expect to respond to the FDA's letter in 2012 and hope to receive FDA marketing approval and launch the product thereafter.

Oxybutynin vaginal ring (DR-3001) is a silicone-based, flexible ring designed to be dosed once a month to treat overactive bladder (OAB). This new and innovative delivery system for the intravaginal delivery of oxybutynin has been developed to minimize the presystemic first-pass metabolism that occurs with orally administered oxybutynin. Results of our Phase III trials for treatment of patients with OAB symptoms demonstrate statistically significant reductions for active treatment relative to placebo in total weekly incontinence episodes and average daily urinary frequency. The product was generally well-tolerated with a safety profile favorable to oral treatments and comparable to other non-oral treatments. We expect to file an NDA with the FDA in 2012 and thereafter a marketing authorization application with the EMA in 2013.

XM17 (follitropin alfa) is a biosimilar product to Gonal-f® for the treatment of female infertility. We expect to submit XM17 for registration in Europe in 2012.

LeCette™ is a 28-day oral contraceptive with 21-day regimen of desogestrel and ethinyl estradiol ("EE") followed by a 7-day regimen of EE alone. We are currently conducting a Phase III study and, assuming positive results, expect to file an NDA with the FDA in 2013. In clinical trials, LeCette™ had demonstrated a safety profile similar to that of other 28-day oral contraceptives.

Quartette™ is a 91-day extended regimen oral contraceptive, with an 84-day phasic regimen of a constant levonorgestrel dose and an increasing EE dose, followed thereafter by a supplementation of hormone-free interval with EE alone. We have completed Phase III studies and expect to file an NDA with the FDA in 2012. In clinical trials, Quartette™ had demonstrated a safety profile similar to that of Seasonique® and other 28-day oral contraceptives.

OTHER

StemEx® (allogeneic stem cell) is currently being evaluated in a Phase III study for cord blood transplantation in leukemia and lymphoma patients. StemEx is a chelating agent that expands progenitor cells ex-vivo from a portion of a single cord for cord blood transplant of patients undergoing myoablative therapy for leukemia and lymphoma. We have a joint venture with Gamida Cell for the development of StemEx in hematological diseases. Marketing rights are retained by the joint venture.

CEP-37247 is a new generation tumor necrosis factor (TNF) alpha blocker for the treatment of sciatica- a neuropathic inflammatory pain condition that occurs when the sciatic nerve is compressed, injured or irritated. CEP-37247 is based on a new type of therapeutic protein called a domain antibody. CEP-37247 is the first product incorporating domain antibodies (dAb) to be used in human trials. Domain antibodies exhibit the binding properties to a target characteristic of a full-sized antibody, but are considerably smaller. This smaller size has several possible advantages including improved manufacturing yield, lower immunogenicity and improved tissue penetration. Preliminary results of the Phase II study are expected in 2013.

DiaPep-277 is a 24 amino acid synthetic peptide believed to induce anti-inflammatory T-cells, block destruction of beta cells and preserve insulin secretion. We have a license agreement with Andromeda Biotech Ltd. with respect to Diapep 277, which is currently in Phase III—clinical development as a treatment for newly diagnosed Type I diabetes patients.

NexoBrid® is an innovative product developed by MediWound for the enzymatic removal of burn-injured tissue (eschar). NexoBrid® may present an alternative to surgery and lengthy non-surgical procedures. Another benefit of NexoBrid® is its selective activity, which removes only the eschar without harming viable tissue. This minimizes the need for additional skin grafting surgery and increases the potential for spontaneous healing of the burn wound. The Phase III study for the treatment of burns met the two primary endpoints of the study—reduction in the percentage of wound surgically excised and reduction in the percentage of wound autografted—with statistical significance. A marketing authorization application was submitted to the EMA in October 2010.

Operations

We believe that our global product infrastructure provides us with the following advantages:

- global research and development facilities that enable us to have the broadest product line and the most extensive generic pipeline in the United States, as well as a leading global generic pipeline;
- finished-dose manufacturing facilities approved by the FDA, EMA and other regulatory authorities and located in countries around the world, which offer a broad range of production technologies and the ability to concentrate production to achieve economies of scale;
- API capabilities that offer a stable, high-quality supply of key active ingredients, as well as vertical integration efficiencies; and
- high-volume, technologically advanced distribution facilities that allow us to deliver new products to our customers quickly and efficiently, providing a cost-effective, safe and reliable supply.

These capabilities provide us the means to respond on a global scale to a wide range of requirements (both therapeutic and commercial) of patients, customers and healthcare providers.

Pharmaceutical Production

We operate 53 finished dosage pharmaceutical plants in North America, Europe, Latin America, Asia and Israel. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers and medical devices. In 2011, Teva produced approximately 73 billion tablets and capsules and over 720 million sterile units.

Our two primary manufacturing technologies, solid dosage forms and injectables, are available in North America, Latin America, Europe and Israel. The main manufacturing site for respiratory inhaler products is located in Ireland. The manufacturing sites located in Israel, Germany and in Hungary make up a significant percentage of our production capacity.

Twenty six of our plants are FDA approved, and twenty eight of our plants have EMA approval.

We strive to optimize our manufacturing network, in order to maintain our goal of supplying high quality, cost-competitive products on a timely basis to all of our customers globally. In addition, we also use several external contract manufacturers to achieve operational and cost benefits.

In connection with the recently-formed consumer healthcare joint venture with P&G, we acquired two OTC-dedicated plants in the United States from P&G, joining our existing manufacturing facilities throughout the world, which manufacture solid dosage forms, powders, liquids, semi-solids, nasal products and lozenges.

During 2011, we expanded our facilities in Opava, the Czech Republic, Debrecen, Hungary and Zagreb, Croatia, for manufacturing and packaging of solid dosage forms, and in Godollo, Hungary and Haarlem, Netherland, for sterile products manufacturing. In addition, our new state-of-the art logistics center in Shoham, Israel is expected to begin operating in 2012, significantly increasing our technological and logistical capabilities.

Our policy is to maintain multiple supply sources for our strategic products and APIs to the extent possible, so that we are not dependent on a single supply source. However, our ability to do so may be limited by regulatory or other requirements.

Our principal pharmaceutical manufacturing facilities in terms of size and number of employees are listed below:

Facility Location	Total Number of Site Employees	Principal Market(s) Served
Ulm and Weiler, Germany	1,865	Europe and other non-U.S. markets
Japan	1,355	Asia
Debrecen, Hungary	1,144	Europe and other non-U.S. markets
Opava, Czech Republic	1,040	North America, Europe and other markets
Kfar Saba, Israel	973	North America, Europe and other markets
Zagreb, Croatia	889	North America, Europe and other markets
Jerusalem, Israel	721	North America and Europe
Godollo, Hungary	681	North America, Europe and other markets
Forest , VA, U.S.	661	North America
Toronto, Canada	589	North America and Europe
Maipu, Santiago, Chile	531	Latin America
Runcorn, U.K.	463	North America, Europe and other markets
Cincinnati, OH, U.S.	436	North America
Sellersville , PA, U.S.	432	North America
Irvine , CA, U.S.	420	North America
Waterford, Ireland	351	North America, Europe and other markets

Raw Materials for Pharmaceutical Production

We source a major part of our APIs from our own API manufacturing facilities. Additional API materials are purchased from suppliers located in Europe, Asia and the United States. We have implemented a supplier audit program to ensure that our suppliers meet our high standards, and take a global approach to managing our commercial relations with these suppliers.

We have 21 API production facilities located in Israel, Hungary, Italy, the United States, the Czech Republic, India, Mexico, Puerto Rico, Monaco, China and Croatia. We produce approximately 300 APIs covering a wide range of products, including respiratory, cardiovascular, anti-cholesterol, central nervous system, dermatological, hormones, anti-inflammatory, oncology, immunosuppressants and muscle relaxants. Our API intellectual property portfolio includes over 800 granted patents and pending applications worldwide.

We have expertise in a variety of production technologies, including chemical synthesis, semi-synthetic fermentation, enzymatic synthesis, high potent manufacturing, plant extract technology, synthetic peptides, vitamin D derivatives and prostaglandins. Our advanced technology and expertise in the field of solid state particle technology enable us to meet specifications for particle size distribution, bulk density, specific surface area, polymorphism, as well as other characteristics.

Our API facilities meet all applicable current Good Manufacturing Practices (cGMP) requirements under U.S., European, Japanese, and other applicable quality standards. Our API plants are regularly inspected by the FDA, the EMEA or other authorities as applicable. During 2011, all inspections of our API facilities worldwide found our manufacturing practices at all sites to be in compliance.

We also sell API to third parties, and are a leading global supplier of API to both generic and brand customers.

Environment

As part of our overall corporate responsibility, we are committed to environmental, health and safety matters in all aspects of our business. As a vertically integrated pharmaceutical company with worldwide operations, we believe that our adherence to applicable laws and regulations, together with proactive management beyond mere compliance, enhances our manufacturing competitive advantage, minimizes business and operational risks and helps us to avoid adverse environmental effects in the communities where we operate. We believe that we are in substantial compliance with all applicable environmental, health and safety requirements.

Organizational Structure

We are organized into four commercial units, by region: (1) Americas, (2) Europe, (3) Eastern Europe, Middle East, Israel and Africa ("EMIA") and (4) Asia. These units coordinate all commercial activities within their region for the sale of generic products, branded products and other activities.

These regional commercial units are supported by two global divisions—Teva Generic Systems ("TGS") and Global Branded Products ("GBP")—and by a corporate headquarters function. TGS is responsible for our global operations, which include manufacturing of APIs and pharmaceuticals, our supply chain, and generic research and development. GBP is responsible for our global branded product research and development and for providing support to the regional commercial units for their branded product sales.

In addition, we have a "matrix" organizational structure in which the regional units share responsibility with TGS management for production activities within their regions.

Our worldwide operations are conducted through a network of global subsidiaries primarily located in North America, Europe, Latin America, Asia and Israel. We have direct operations in approximately 60 countries, as well as 56 finished dosage pharmaceutical manufacturing sites in 23 countries, 21 API sites and 17 pharmaceutical R&D centers. The following sets forth, as of December 31, 2011, our principal operating subsidiaries in terms of sales to third parties:

In North America—United States: Teva Pharmaceuticals USA, Inc, Teva API Inc. and Cephalon Inc.; Canada: Teva Canada Ltd. (formerly known as Novopharm Limited).

In Europe— Hungary: TEVA Pharmaceutical Works Private Limited Company; United Kingdom: Teva UK Limited; The Netherlands: Teva Pharmaceuticals Europe B.V., Pharmachemie Holding B.V., Teva API B.V.; France: Teva Santé SAS; Croatia: Pliva Hrvatska d.o.o.; Germany: CT Arzneimittel GMBH, ratiopharm GmbH; Poland: Teva Pharmaceuticals Polska sp. z o.o.; Italy: Teva Italia S.r.l.; Spain: Teva pharma S.L.; Monaco: Laboratoire Theramex S.A.M.; Czech Republic: Teva Czech Industries s.r.o.; Russia: Teva Limited Liability Company.

In Latin America—Chile: Laboratorio Chile S.A.; Mexico: Lemery Desarrolloy Control, S.A.; Argentina: IVAX Argentina S.A.

In Israel—Teva Pharmaceutical Industries Ltd.

In Asia— Japan: Taiyo Pharmaceutical Industries Co. Ltd, Taisho Pharmaceutical Industries, Ltd.

In addition to the subsidiaries listed above, we have operations in various strategic and important locations, including China, India, Turkey and other emerging and smaller markets.

Properties and Facilities

Listed below are our principal facilities and properties in various regions of the world and their size in square feet as of December 31, 2011:

Facility Location	Square Feet (in thousands)	Main Function
Israel		
Ramat Hovav	1,219	API (chemical) manufacturing and R&D
Kfar Saba	746	Pharmaceutical manufacturing, research laboratories, warehousing, and offices
Jerusalem (3 sites)	564	Pharmaceutical manufacturing, research laboratories and offices
Shoham Logistics Center	538	Distribution center
Netanya (2 sites)	499	API (chemical) manufacturing, pharmaceutical warehousing, laboratories, distribution center and offices
Petach Tikva	210	Corporate headquarters
Ashdod	130	Manufacturing of hospital supplies
Assia—Petach Tikva	118	R&D laboratories
United States		
North Wales area, PA (4 sites)	808	Teva USA headquarters, warehousing and distribution center
Phoenix, AZ	500	Manufacturing, packaging and offices
St. Joseph, MO (8 sites)	441	Offices, distribution, R&D and warehousing
Forest, VA	408	Warehousing, manufacturing, packaging and distribution
Irvine, CA (8 sites)	342	Pharmaceutical manufacturing, R&D laboratories and warehousing
Cincinnati, OH	305	Pharmaceutical manufacturing, R&D laboratories, packaging and warehousing
Miami, FL (3 sites)	223	Manufacturing, R&D, warehousing and offices
Kutztown, PA	211	Warehousing
Sellersville, PA	206	Pharmaceutical manufacturing, R&D laboratories
Greensboro, SC	200	Manufacturing, packaging and offices
Salt Lake City, UT	194	Warehousing and distribution
Frazer, PA	188	Offices
Pomona, NY	181	Pharmaceutical manufacturing, R&D laboratories and warehousing

Facility Location	Square Feet (in thousands)	Main Function
Guayama, Puerto Rico	170	API (chemical) manufacturing
West Chester, PA	165	Laboratories
Mexico, MO	144	API (chemical) manufacturing
Kansas City MO	117	Offices and R&D laboratories
Eden Prairie, MN	116	Warehousing
Canada		
Toronto, Ontario	335	Offices, pharmaceutical packaging, warehousing, distribution and laboratories
Mirabel, Ontario	230	Manufacturing, warehousing and offices
Stouffville, Ontario	155	Pharmaceutical manufacturing and R&D laboratories
Markham, Ontario	122	Pharmaceutical manufacturing and warehousing
Europe		
Debrecen, Hungary	2,727	Pharmaceutical manufacturing, API (chemical) manufacturing, R&D laboratories and warehousing
Ulm, Germany	1,440	Phamaceutical manufacturing and offices
Opava, Czech Republic	1,322	Pharmaceutical and API (chemical) manufacturing, warehousing and distribution
Zagreb, Croatia (4 sites)	1,026	Pharmaceutical manufacturing, packaging and warehousing, API (chemical) manufacturing and R&D laboratories
Krakow, Poland	948	Pharmaceutical manufacturing and warehousing
Gödöllõ, Hungary	478	Pharmaceutical manufacturing, hospital supplies manufacturing, R&D laboratories, distribution, packaging and warehousing
Kutno, Poland	450	Pharmaceutical manufacturing, warehousing and packaging
Waterford, Ireland (2 sites)	435	Pharmaceutical manufacturing, warehousing and packaging
Weiler, Germany	430	Pharmaceutical manufacturing and packaging
Haarlem, The Netherlands	264	Pharmaceutical manufacturing, warehousing, packaging, offices and R&D laboratories
Glasshoughton, England	257	Warehousing and distribution center
Rho, Villanterio, Setimo Milanese, Italy	226	API (chemical) manufacturing and R&D laboratories
Bulciago, Italy	178	API (chemical) manufacturing
Zaragoza, Spain (2 sites)	155	Pharmaceutical manufacturing, R&D laboratories
Eastbourne, England	133	Warehousing and packaging
Runcorn, England	128	Pharmaceutical manufacturing, warehousing, laboratories and offices
Santhia, Italy	127	API (chemical) manufacturing, R&D laboratories and warehousing
Vilnius, Lithuania (2 sites)	95	Pharmaceutical manufacturing and R&D laboratories

Facility Location	Square Feet (in thousands)	Main Function
Asia		
Takayama, Japan	1,184	Pharmaceutical manufacturing
Gajraula (U.P.), India	827	API (chemical) manufacturing
Goa, India	284	Pharmaceutical manufacturing and R&D laboratories
Malanpur, India	275	API (chemical) manufacturing
Hangzhou, China	245	API (chemical) manufacturing
Kasukabe, Japan	193	Pharmaceutical manufacturing
Koka, Japan	193	Pharmaceutical manufacturing
Latin America		
Santiago, Chile	240	Pharmaceutical manufacturing, warehousing and R&D laboratories
Lima, Peru (2 sites)	189	Pharmaceutical manufacturing, warehousing and R&D laboratories
Munro, Argentina	155	Pharmaceutical manufacturing, warehousing, R&D laboratories and packaging
Mexico City, Mexico	110	Pharmaceutical manufacturing, warehousing and R&D laboratories

We lease certain of our facilities. In Israel, our principal executive offices and corporate headquarters in Petach Tikva are leased until December 2014. In North America, our principal leased properties are the facilities in North Wales, Pennsylvania, which have lease terms expiring between 2013 and 2016, and a warehouse in New Britain, Pennsylvania, of which the initial lease term expires in 2013. We own and lease various other facilities worldwide.

Regulation

United States

Food and Drug Administration and the Drug Enforcement Administration

All pharmaceutical manufacturers selling products in the United States are subject to extensive regulation by the United States federal government, principally by the FDA and the Drug Enforcement Administration, and, to a lesser extent, by state and local governments. The federal Food, Drug, and Cosmetic Act, the Controlled Substances Act and other federal statutes and regulations govern or influence the development, manufacture, testing, safety, efficacy, labeling, approval, storage, distribution, recordkeeping, advertising, promotion and sale of our products. Our facilities and products are periodically inspected by the FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Noncompliance with applicable requirements may result in fines, criminal penalties, civil injunction against shipment of products, recall and seizure of products, total or partial suspension of production, sale or import of products, refusal of the government to enter into supply contracts or to approve NDAs and criminal prosecution by the Department of Justice. The FDA also has the authority to deny or revoke approvals of drug active ingredients and dosage forms and the power to halt the operations of non-complying manufacturers. Any failure to comply with applicable FDA policies and regulations could have a material adverse effect on our operations.

FDA approval is required before any “new drug” (including generic versions of previously approved drugs) may be marketed, including new strengths, dosage forms and formulations of previously approved drugs. Applications for FDA approval must contain information relating to bioequivalence (for generics), safety, toxicity and efficacy (for new drugs), product formulation, raw material suppliers, stability, manufacturing

processes, packaging, labeling and quality control. FDA procedures generally require that commercial manufacturing equipment be used to produce test batches for FDA approval. The FDA also requires validation of manufacturing processes before a company may market new products. The FDA conducts pre-approval and post-approval reviews and plant inspections to implement these requirements. Generally the generic drug development and the ANDA review process takes about three to five years.

The Drug Price Competition and Patent Term Restoration Act of 1984 (the "Hatch-Waxman Act") established the procedures for obtaining FDA approval for generic forms of brand-name drugs. This Act also provides market exclusivity provisions that can delay the approval of ANDAs. One such provision allows a five-year data exclusivity period for NDAs involving new chemical entities and a three-year data exclusivity period for NDAs (including different dosage forms) containing new clinical trial essential to the approval of the application. The Orphan Drug Act of 1983 grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term "orphan drug" refers to a product that treats a rare disease affecting fewer than 200,000 Americans. Market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products. Another provision of the Hatch-Waxman Act extends certain patents for up to five years as compensation for the reduction of effective life of the patent which resulted from time spent in clinical trials and time spent by the FDA reviewing a drug application.

Under the Hatch-Waxman Act, a generic applicant must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a "Paragraph IV" certification. The Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification. This filing triggers a regulatory process in which the FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications 180 days after the first commercial marketing of the drug by the first applicant. Submission of an ANDA with a Paragraph IV certification can result in protracted and expensive patent litigation. When this occurs, the FDA generally may not approve the ANDA until the earlier of thirty months or a court decision finding the patent invalid, not infringed or unenforceable.

The Medicare Prescription Drug, Improvement and Modernization Act (the "Medicare Modernization Act") of 2003 modified certain provisions of the Hatch-Waxman Act. Under the Medicare Modernization Act, the 180-day period of generic exclusivity rights may be forfeited under certain specified circumstances, including if the product is not marketed within 75 days of a final court decision. With the growing backlog of applications, and the resulting increase in the median time to approval of ANDAs, the number of forfeitures of exclusivity is likely to increase unless additional resources are provided within the FDA's Office of Generic Drugs. To address these and other issues, members of industry and FDA met in 2011 to develop a generic drug user fee program in order to augment FDA's congressional appropropriations. User fee funding is anticipated to be sufficient to eliminate the backlog by 2017 as well as provide enhanced review metrics over the five year period beginning with the program's slated implementation on October 1, 2012. Additionally, generic drug user fees are intended to bring parity between the U.S. and foreign inspections by 2017 in order to ensure a consistent standard of quality for all drugs intended for the U.S. market. The proposed legislation must be approved by Congress.

The Best Pharmaceuticals for Children Act, signed into law in 2002, continues the so-called "pediatric exclusivity" program begun in the FDA Modernization Act of 1997. This pediatric exclusivity program provides a six-month extension both to listed patents and to regulatory exclusivities for all formulations of an active ingredient, if the sponsor performs and submits adequate pediatric studies on any one single dosage form. An effect of this program has been to delay the launch of numerous generic products by an additional six months.

The passage of the Food and Drug Administration Amendments Act (FDAAA) in 2007 strengthened the FDA's regulatory authority on post-marketing safety and granted them the authority to control drug marketing and labeling, to require post-approval studies, to establish active surveillance systems, and to make clinical trial operations and results more available to the public. Another provision provides for a six-month review clock for

citizen petitions submitted to delay the approval of generic applications. A key provision also allows the FDA to require a risk evaluation and mitigation strategy for drugs associated with greater safety risks.

The Generic Drug Enforcement Act of 1992 established penalties for wrongdoing in connection with the development or submission of an ANDA by authorizing the FDA to permanently or temporarily debar such companies or individuals from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market generic drugs. The FDA may suspend the distribution of all drugs approved or developed in connection with wrongful conduct and also has authority to withdraw approval of an ANDA under certain circumstances. The FDA may also significantly delay the approval of a pending NDA or ANDA under its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy." Manufacturers of generic drugs must also comply with the FDA's current Good Manufacturing Practices (cGMP) standards or risk sanctions such as the suspension of manufacturing or the seizure of drug products and the FDA's refusal to approve additional ANDAs.

Products manufactured outside the United States and marketed in the United States are subject to all of the above regulations, as well as to FDA and United States customs regulations at the port of entry. Products marketed outside the United States that are manufactured in the United States are additionally subject to various export statutes and regulations, as well as regulation by the country in which the products are to be sold.

Our products also include biopharmaceutical products that are comparable to brand-name drugs. Of this portfolio, only one, Tev-Tropin®, is sold in the United States, while others are distributed outside of the United States. We plan to introduce additional products into the United States marketplace, and in 2009 filed a BLA for our GCSF product. While regulations are still being developed relating to the Biologics Price Competition and Innovation Act of 2009 (BPCI), the FDA did issue three substantial guidance documents in February 2012 that are intended to provide a roadmap for development of biosimilar products. Separate guidances address quality considerations and scientific considerations, with the third providing questions and answers regarding commonly posed issues. The guidances are comprehensive documents that provide significant information on developing a product through the 351(k) (biosimilar) pathway. They recommend a "stepwise approach" to development, including numerous meetings with FDA review staff during the development process. Most of the recommendations, however, are contingent on the FDA's making subjective decisions during the development process on the scientific rigor employed to justify decisions. While there is a benefit to having a flexible development process, the lack of concrete recommendations will significantly prolong the development process of these products. In addition, the guidances did not address the naming issue or intellectual property concerns**,** and provided very limited information on the development of interchangeable products.

Government Reimbursement Programs

In early 2010, the United States government approved a comprehensive plan to decrease health care costs while improving the quality of patient care. These bills sought to reduce the federal deficit and the rate of growth in health care spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in health care delivery systems and the creation of health insurance exchanges. In addition, the plan requires the pharmaceutical industry to share in the costs of reform, by increasing Medicaid rebates, narrowing sales definitions for average manufacturer price purposes and expanding Medicaid rebates to cover Medicaid managed care programs. Other components of healthcare reform include funding of pharmaceutical costs for patients in the "donut hole". After a Medicare patient surpasses the prescription drug coverage limit, the patient is financially responsible for the entire cost of prescription drugs until the expense reaches the catastrophic coverage threshold. Under the new legislation, certain pharmaceutical companies are now obligated to fund 50% of the patient obligation in the "donut hole". Additionally, commencing in 2011, an

excise tax was levied against certain branded pharmaceutical products. The tax is specified by statute to be approximately $2.5 billion in 2011, $3 billion in 2012-16, $3.5 billion in 2017, $4.2 billion in 2018, and $2.8 billion each year thereafter. The tax is to be apportioned to qualifying pharmaceutical companies across the industry based on an allocation of their governmental programs as a portion of total pharmaceutical government programs.

The Center for Medicare and Medicaid Services is responsible for enforcing legal requirements governing rebate agreements between the federal government and pharmaceutical manufacturers. Drug manufacturers' agreements with the Center provide that the drug manufacturer will remit to each state Medicaid agency, on a quarterly basis, the following rebates: for generic drugs marketed under ANDAs covered by a state Medicaid program, manufacturers are required to rebate 13% (previously 11%) of the average manufacturer price; for products marketed under NDAs, manufacturers are required to rebate the greater of 23.1% (previously 15.1%) of the average manufacturer price or the difference between such price and the best price during a specified period. An additional rebate for products marketed under NDAs is payable if the average manufacturer price increases at a rate higher than inflation. We have such a rebate agreement in effect with the United States federal government.

In addition, the Patient Protection and Affordable Care Act of 2010 mandated a newer regulation for Medicaid reimbursement, which became effective in part on October 1, 2010, which further modified the calculation of the "average manufacturer price." The federal upper limit is now calculated as 175 percent of Center for Medicare and Medicaid Services calculated weighted average (based on units) of the monthly average manufacturer prices submitted by pharmaceutical companies with equivalent multiple source drugs.

Various state Medicaid programs have in recent years adopted supplemental drug rebate programs that are intended to provide the individual states with additional manufacturer rebates that cover patient populations that are not otherwise included in the traditional Medicaid drug benefit coverage. These supplemental rebate programs are generally designed to mimic the federal drug rebate program in terms of how the manufacturer rebates are calculated, e.g., as a percentage of average manufacturer price. While some of these supplemental rebate programs are significant in size, they are dwarfed, even in the aggregate, by comparison to our quarterly Medicaid drug rebate obligations.

European Union

The medicines regulatory framework of the EU requires that medicinal products, including generic versions of previously approved products and new strengths, dosage forms and formulations of previously approved products, must receive a marketing authorization before they can be placed on the market in the EU. Authorizations are granted after a favorable assessment of quality, safety and efficacy by the respective health authorities. In order to obtain authorization, application must be made to the competent authority of the member state concerned. Besides various formal requirements, the application must contain the results of pharmaceutical (physico-chemical, biological or microbiological) tests, pre-clinical (toxicological and pharmacological) tests and clinical trials. All of these tests must have been conducted in accordance with relevant European regulations and must allow the reviewer to evaluate the quality, safety and efficacy of the medicinal product.

During 2011, we continued to register products in the EU, using both the mutual recognition procedure (submission of applications in other member states following approval by a so-called reference member state) and the decentralized procedure (simultaneous submission of applications to chosen member states). We continue to use the centralized procedure to register our generic equivalent version of reference products that originally used this procedure.

In 2005, a legal pathway was established to allow approval of Similar Biological Medicinal Products ("biosimilars") using abbreviated marketing applications. Appropriate tests for demonstration of safety and efficacy include preclinical or clinical testing or both. The reference product for this testing is the brand-name drug, and the scientific principles and regulatory requirements for comparability are followed. Guidelines have

been issued providing a more detailed interpretation of the data requirements for specific products, and further guidance is being developed by the respective authorities in conjunction with the pharmaceutical industry.

In order to control expenditures on pharmaceuticals, most member states of the EU regulate the pricing of such products and in some cases limit the range of different forms of a drug available for prescription by national health services. These controls can result in considerable price differences among member states.

In addition to patent protection, exclusivity provisions in the EU may prevent companies from applying for marketing approval for a generic product for either six or ten years (the period is selected by each country) from the date of the first market authorization of the original product in the EU. 2005 legislation, applicable to all members of the EU, changes and harmonizes the exclusivity period for new products where the application for marketing approval was submitted after November 2005. The period before marketing approval for a generic product can be pursued (known as data exclusivity) is eight years (from either six or ten years before) following approval of the reference product in the EU. Further, the generic product will be barred from market entry (marketing exclusivity) for a further two years, with the possibility of extending the market exclusivity by one additional year under certain circumstances for novel indications. Given that reference products submitted after November 2005 will take at least one year to be assessed and approved, the 2005 exclusivity provisions of '8+2+1' years will affect only generic submissions for marketing approval lodged in late 2014 onwards.

The term of certain pharmaceutical patents may be extended in the EU by up to five years upon grant of Supplementary Patent Certificates (SPC). The justification for this extension is to increase effective patent life (i.e. the period between grant of a marketing authorization and patent expiry) to fifteen years. Previously, longer extensions had been available; for example, French and Italian patents granted before the current SPC legislation came into force were extended by up to eight and eighteen years, respectively.

Subject to the respective pediatric regulation, the holder of a SPC may obtain a further patent term extension of up to six months under certain conditions. This six month period cannot be claimed if the license holder claims a one-year extension of the period of marketing exclusivity based on the grounds that a new pediatric indication brings a significant clinical benefit in comparison with other existing therapies.

Orphan designated products, which receive, under certain conditions, a blanket period of ten years data exclusivity, may receive an additional two years of data exclusivity instead of an extension of the SPC if the requirements of the pediatric regulation are met.

The legislation also allows for research and development work during the patent term for the purpose of developing and submitting registration dossiers.

Canada

The Canadian federal government, under the Food and Drugs Act and the Controlled Drug and Substances Act, regulates the therapeutic products that may be sold in Canada and the applicable level of control. The Therapeutic Products Directorate is the national authority that evaluates and monitors the safety, effectiveness and quality of drugs, medical devices and other therapeutic products.

The issuance of a market authorization or "Notice of Compliance" is subject to the Food and Drug Regulations, which provide, among other things, up to eight and one-half years of data exclusivity for innovative new drugs not previously approved for sale in Canada.

Issuance of a Notice of Compliance for generic drug products is also subject to the Patented Medicines (Notice of Compliance) Regulations under the Patent Act. The Therapeutic Products Directorate will not issue a Notice of Compliance if there are any patents relevant to the drug product listed on the Patent Register maintained by Health Canada. Generic pharmaceutical manufacturers can serve a notice of allegation upon the

brand company and, as is frequently the case, the brand company may commence litigation in response to the notice of allegation. In such cases, a Notice of Compliance will not be issued until the earlier of the expiration of a 24-month stay or resolution of the litigation in the generic company's favor.

Every province in Canada offers a comprehensive public drug program for seniors and welfare recipients, and regulates the reimbursement price of drugs listed on their formularies for all patients. Most provinces in Canada have implemented price reforms aimed at reducing the reimbursement price of generic products. Generic reimbursement prices will decrease between 40-60% over a phased in period of approximately two years ending in 2013. Ontario and Quebec regulations (representing 60% of the Canadian market) also include certain limitations related to trade allowances paid to pharmacy customers and require generic companies to report the details of their transactions.

Miscellaneous Regulatory Matters

We are subject to various national, regional and local laws of general applicability, such as laws regulating working conditions. In addition, we are subject to various national, regional and local environmental protection laws and regulations, including those governing the discharge of material into the environment.

As discussed above, data exclusivity provisions exist in many countries worldwide and may be introduced in additional countries in the future, although their application is not uniform. In general, these exclusivity provisions prevent the approval and/or submission of generic drug applications to the health authorities for a fixed period of time following the first approval of the brand-name product in that country. As these exclusivity provisions operate independently of patent exclusivity, they may prevent the submission of generic drug applications for some products even after the patent protection has expired.

ITEM 4A: UNRESOLVED STAFF COMMENTS

None

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

We are a global pharmaceutical company that combines the world's leading generics business with a world-class specialty pharmaceuticals business, as well as a new joint venture focusing on over-the-counter ("OTC") products.

The pharmaceutical industry is affected by demographic and socioeconomic trends, such as aging populations and increased demand for pharmaceuticals, as well as broad economic trends, resulting in a corresponding increase in healthcare costs, governmental budget constraints and enhanced pressure on reimbursement pricing, and resource-constrained spending decisions of healthcare organizations, all of which lead to increased recognition of the importance of generics as providing access to affordable pharmaceuticals. We believe that our balanced business model, which includes generic, branded and OTC products, broad product offerings, economies of scale, expansive geographic reach and globally integrated infrastructure, positions us to take advantage of these trends.

Highlights

Significant highlights of 2011 included:

- Intensive business development activities, including major acquisitions, such as Cephalon and Taiyo and new collaborations such as the OTC joint venture with Procter & Gamble. These activities significantly diversified our business, both geographically and by products, and had considerable impact on our revenues, gross profit and expenses for the year.
- Our revenues grew to $18.3 billion, an increase of approximately $2.2 billion, or 14%, over 2010. Our revenue growth in 2011 was primarily driven by the inclusion of a full year of ratiopharm's revenues, the consolidation of Cephalon's revenues commencing in October 2011, and our Japanese acquisitions—including the consolidation of Taiyo commencing in July 2011. In addition, sales of Copaxone®, our leading product, grew significantly in 2011.
- Our European and Rest of the World markets grew by 43% and 39%, respectively, compared to 2010. Revenues in the United States declined by $594 million, due to lower generic sales, partially offset by increased sales of our branded products, primarily Copaxone®.
- Global generics revenues reached $10.2 billion, an increase of 3% over 2010. The increase was due to significantly higher revenues in Europe and our Rest of the World region, substantially offset by lower sales in the United States.
- Our branded products portfolio generated revenues of $6.5 billion, an increase of 34% compared to 2010. The increase was due to the inclusion of the Cephalon products as well as record sales of Copaxone®, Qvar®, Azilect® and increased sales of ProAir™. Global in-market sales of Copaxone® reached a record $3.9 billion, an 18% increase over 2010.
- Net R&D spending reached a record $1.1 billion, approximately 57% of which was invested in our branded portfolio.
- G&A expenses amounted to $932 million. As a percentage of revenues, G&A expenses decreased to 5.1% in 2011 from 5.4% in 2010.
- Operating income amounted to $3.1 billion, a decrease of $762 million compared to 2010.
- Cash flow from operating activities amounted to $4.1 billion, similar to 2010.
- Net income attributable to Teva in 2011 amounted to $2.8 billion, compared to $3.3 billion in 2010.
- Exchange rate differences between 2011 and 2010 had a positive impact of approximately $367 million on revenues and $54 million on operating income.
- In November, Teva raised $5 billion in the largest ever debt offering by an Israeli company.

Acquisitions and Other Transactions

Consumer Health Care Joint Venture with Procter & Gamble

In November, 2011, we formed a consumer health care joint venture with The Procter & Gamble Company ("P&G"), combining our OTC pharmaceutical businesses in all markets outside North America. In addition, we will manufacture products to supply the joint venture's markets as well as P&G's existing North American OTC business. We own 49% of the joint venture, and P&G holds the remaining 51%. Since the joint venture became operative in late 2011, it did not have a significant effect on our results of operations for this year.

Cephalon

On October 14, 2011, we acquired Cephalon, Inc. ("Cephalon") for total consideration of $6.5 billion in cash. Cephalon is a global biopharmaceutical company with a strong marketed portfolio and pipeline of branded products. The acquisition diversified our branded portfolio and enhanced our late-stage innovative pipeline. Cephalon's results of operations were included in our consolidated financial statements commencing October 2011.

CureTech

On September 28, 2011, we exercised our option to invest $19 million in CureTech Ltd. ("CureTech"), a biotechnology company developing novel, broad-spectrum, immune modulating products for the treatment and control of cancer. As a result of the option exercise, our ownership in CureTech increased from 33% to 75%. We also hold an option to acquire full ownership of CureTech. In addition, we are obligated to make up to $50 million of equity investments in CureTech's research and development activities.

Japanese Ventures

On September 26, 2011, we acquired 100% control of our former equity investment in Teva-Kowa, for a total purchase price of $150 million, thereby gaining all of the non-controlling interests in Taisho.

Taiyo

On July 14, 2011, we acquired 100% of the outstanding shares of Taiyo Pharmaceutical Industry Co. Ltd. ("Taiyo") for $1.1 billion in cash. Taiyo has developed one of the largest portfolios of generic products in Japan with over 550 marketed products, and its advanced production facilities enable it to produce a wide range of dosage forms on a large scale. Taiyo's results of operations were included in our consolidated financial statements commencing July 2011.

Corporación Infarmasa

On January 26, 2011, we acquired Corporación Infarmasa ("Infarmasa"), a top ten pharmaceutical company in Peru. Infarmasa's product offerings significantly enhanced our portfolio in the market, especially in the area of antibiotics, where Infarmasa has the leading brand in Peru. Following the acquisition, we became one of the top two pharmaceutical companies in the country.

Laboratoire Théramex

On January 5, 2011, we acquired Laboratoire Théramex for €267 million paid at closing (approximately $355 million) and certain limited performance-based milestone payments. Théramex offers a wide variety of women's health products, and expanded our women's health business into important growth markets in Europe and the rest of the world.

2010 Acquisition

Ratiopharm

On August 10, 2010, we acquired the Merckle ratiopharm Group ("ratiopharm"), a global pharmaceutical company with operations in more than 20 countries, for a total cash consideration of $5.2 billion. Ratiopharm's results of operations were included in our consolidated financial statements commencing August 2010. Therefore, 2011 was the first full year in which the results of ratiopharm were included in our consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain financial data derived from our U.S. GAAP financial statements, presented as percentages of net revenues, and the percentage change for each item as compared to the previous year.

	Percentage of Net Revenues Year Ended December 31,			Percentage Change Comparison	
	2011	2010	2009	2011-2010	2010-2009
	%	%	%	%	%
Net revenues	100.0	100.0	100.0	14	16
Gross profit	52.0	56.2	53.0	5	23
Research and development expenses—net	6.0	5.9	5.9	15	15
Selling and marketing expenses	19.0	18.4	19.3	17	11
General and administrative expenses	5.1	5.4	5.9	8	5
Legal settlements, acquisition, restructuring and other expenses and impairment	4.9	2.5	4.6	120	(36)
Operating income	17.0	24.0	17.3	(20)	61
Financial expenses—net	0.9	1.4	1.5	(32)	11
Income before income taxes	16.1	22.6	15.8	(19)	66
Provision for income taxes	0.7	1.8	1.2	(55)	70
Share in losses of associated companies—net	0.3	0.1	0.2	154	(27)
Net income attributable to Teva	15.1	20.7	14.4	(17)	67

Revenues by Geographic Area

	Year Ended December 31,			Percentage Change Comparison	
	2011	2010	2009	2011-2010	2010-2009
	U.S. $ in millions			%	%
United States:					
Generic	3,957	5,789	5,037	(32)	15
Branded	4,804	3,600	3,096	33	16
Others	39	5	24	680	(79)
Total United States	8,800	9,394	8,157	(6)	15
Europe*:					
Generic	3,810	2,637	2,030	44	30
Branded	1,101	746	687	48	9
Others	749	564	554	33	2
Total Europe	5,660	3,947	3,271	43	21
Rest of World:					
Generic	2,429	1,481	1,397	64	6
Branded	588	509	419	16	21
Others	835	790	655	6	21
Total Rest of World	3,852	2,780	2,471	39	13
Total Revenues	18,312	16,121	13,899	14	16

* All members of the European Union as well as Switzerland and Norway.

United States

In 2011, we continued to be a leading pharmaceutical company in the U.S. market, with revenues of $8.8 billion, a decrease of 6% compared to 2010. We have significantly increased our presence in the branded arena, due to the acquisition of Cephalon, and have maintained our leading position in the generics business. Total prescriptions amounted to 555 million, representing 14.1% of total U.S. prescriptions, and new prescriptions amounted to 304 million. We expect that our U.S. market leadership position will continue to increase due to the acquisition of Cephalon and the enhancement of our branded business, and as a result of our ability to introduce new generic equivalents for brand-name products on a timely basis, emphasis on customer service, the breadth of our product line, our commitment to regulatory compliance and our cost-effective production.

Generics

Revenues from generic products in the United States during 2011 amounted to approximately $4.0 billion, down 32% compared to approximately $5.8 billion in 2010. The decrease resulted from declining sales of key 2010 launches, such as Effexor XR® (venlafaxine HCl ER), Yaz® (drospirenone and ethinyl estradiol, which we market as Gianvi™), Cozaar® (losartan potassium), Hyzaar® (losartan potassium—hydrochlorothiazide) and Mirapex® (pramipexole dihydrochloride), as well as from supply constraints as a result of regulatory issues, primarily at our Irvine and Jerusalem facilities. This decline was partially offset by the launch of olanzapine, royalties related to sales of atorvastatin resulting from our agreement with Ranbaxy, and strong sales of budesonide.

Among the most significant generic products we sold in the U.S. in 2011 were generic versions of Pulmicort® (budesonide inhalation), Zyprexa® (olanzapine), Adderall XR® (mixed amphetamine salts ER), Effexor XR® (venlafaxine HCl ER), Accutane® (isotretinoin, which we market as Claravis™) and Yaz® (drospirenone and ethinyl estradiol, which we market as Gianvi™).

Products. In 2011, we launched 17 generic versions of the following branded products in the U.S. (listed by date of launch):

Generic Name	Brand Name	Launch Date	Total Annual Branded Market at Time of Generic Launch $ millions (IMS)*
Phentermine HCl capsules	Phentermine	Jan-11	7.3
Norethindrone acetate and ethinyl estradiol tablets	Femhrt®	Feb-11	31.3
Norethindrone and ethinyl estradiol chewable tablets	Femcon® FE	Mar-11	34.4
Disulfiram 250mg tablets	Antabuse®	Apr-11	18.6
Donepezil HCl tablets	Aricept®	May-11	714.9
Letrozole tablets	Femara®	Jun-11	376.7
Triamcinolone acetonide nasal spray	Nasacort®AQ	Jun-11	181.8
Levofloxacin tablets	Levaquin®	Jun-11	830.5
Gemcitabine HCl for injection	Gemzar®	Jul-11	413.1
Disulfiram 500mg tablets	Antabuse®	Jul-11	2.7
Amlodipine besylate & benazepril capsules	Lotrel®	Jul-11	170.0
Levonorgestrel / ethinyl estradiol and ethinyl estradiol tablets	Seasonique®	Jul-11	111.9
Levocetirizine dihydrochloride tablets	Xyzal®	Sep-11	93.6
Levetiracetam ER tablets	Keprra XR®	Sep-11	151.3
Olanzapine tablets	Zyprexa®	Oct-11	3,343.1
Levonorgestrel / ethinyl estradiol and ethinyl estradiol tablets	LoSeasonique®	Dec-11	33.1
Lamivudine / zidovudine tablets	Combivir®	Dec-11	277.6

* Branded annual market size as quoted by IMS is a commonly used measurement of the relative significance of a potential generic product. The figures given are for the twelve months ended in the calendar quarter closest to our launch. Generic equivalents of any given product are typically sold at prices substantially lower than the branded product price.

We expect that our revenues in the U.S. will continue to benefit from our strong generic pipeline, which, as of February 9, 2012, had 175 product registrations awaiting FDA approval, including 45 tentative approvals. Collectively, the branded versions of these 175 products had U.S. sales in 2011 exceeding $115 billion. Of these applications, 118 were "Paragraph IV" applications challenging patents of branded products. We believe we are first to file with respect to 74 of these products, the branded versions of which had U.S. sales of more than $52 billion in 2011. IMS-reported brand sales are one of the many indicators of future potential value of a launch, but equally important are the mix and timing of competition, as well as cost effectiveness. However, potential advantages of being the first filer with respect to some of these products may be subject to forfeiture and or shared exclusivity.

The FDA requires companies to submit abbreviated new drug applications (ANDAs) for approval to manufacture and market generic forms of brand-name drugs. In most instances, FDA approval is granted upon the expiration of the underlying patents. However, companies may be rewarded with a 180-day period of marketing exclusivity, as provided by law, for being the first generic applicant to successfully challenge these patents. As part of our strategy, we actively review pharmaceutical patents and seek opportunities to challenge patents that we believe are either invalid or not infringed by our generic version. In addition to the commercial benefit of obtaining marketing exclusivity, we believe that our patent challenges ultimately improve healthcare by allowing consumers earlier access to more affordable, high-quality medications.

In 2011 we received, in addition to 21 final generic drug approvals, 14 tentative approvals. A "tentative approval" letter indicates that the FDA has substantially completed its review of an application and final approval is expected once the relevant patent expires, a court decision is reached, a 30-month regulatory stay lapses or a 180-day exclusivity period awarded to another manufacturer either expires or is forfeited. The 14 tentative approvals received were for generic equivalents of the following products:

Generic Name	Brand Name	Total Branded Market $ millions (IMS)*
Olopatadine ophthalmic solution 0.2%	Pataday®	261.4
Lamivudine tablets	Epivir®	97.8
Ribarivin oral solution	Rebetol®	0.3
Rabeprazole DR tablets	Aciphex®	902.0
Zolmitriptan tablets	Zomig®	139.8
Pregabalin capsules	Lyrica®	1,789.3
Emtricitabine / tenofovir tablets	Truvada®	1,974.4
Risedronate tablets 150 mg	Actonel®	271.3
Levetiracetam ER tablets	Keppra XR®	151.3
Efavirenz / emtricitabine / tenofovir tablets	Atripla®	2,572.4
Solifenacin succinate tablets	Vesicare®	655.4
Atorvastatin tablets	Liptor®	8,179.0
Atazanavir capsules	Reyataz®	949.4
Tenofovir tablets	Viread®	464.9

* The figures given are for the year ended December 31, 2011.

On January 31, 2011, we received a warning letter from the FDA relating to our oral solid dose manufacturing facility in Jerusalem, citing cGMP deficiencies related to laboratory reporting and systems. We worked diligently to address the FDA's observations and to resolve the FDA's concerns. The deficiencies and

remediation adversely affected our supply capabilities in 2011. Following a June 2011 follow-up inspection that concluded with no observations, we received a close-out letter from the FDA on September 9, 2011. The letter is formal notification that we have addressed the issues raised in the warning letter.

In December 2009, the FDA issued a warning letter relating to our Irvine, California injectable products manufacturing facility. We voluntarily ceased production at the facility during the second quarter of 2010, and are executing a remediation plan required by the FDA. In April 2011, we resumed limited manufacturing activity. We have been working closely with the FDA, and although we are gradually releasing more products for distribution, we currently expect to be able to resume full production in the second half of 2012. During 2011, we incurred uncapitalized production costs, consulting expenses and write-offs of inventory, of approximately $117 million relating to this facility. If we are unable to resume full production and sale of injectable products within the time frame currently expected, or if we further change our plans as to the scale of operations or products, we will incur additional expenses, and there may be further impairment of tangible and intangible assets. At December 31, 2011, we had approximately $49 million of intangible assets and approximately $214 million of fixed assets and inventory relating to products produced at the Irvine facility.

Branded Products

In 2011, our revenues from branded products in the United States amounted to $4.8 billion, an increase of 33% over 2010. The main factors affecting revenues of our branded products in the U.S. include:

- the inclusion of Cephalon's branded sales, primarily Provigil®, Nuvigil®, Treanda® and Fentora®;
- record sales of Copaxone®, which increased by $507 million, primarily due to price increases and, to a lesser extent, volume growth. Copaxone® was responsible for a very significant contribution to our profits and cash flow from operations in 2011;
- an increase of 31% in sales of Qvar® over 2010 due to volume growth and price increase;
- a 10% increase in sales of ProAir™ over 2010 due to volume growth;
- a 28% increase in sales of Azilect® over 2010 due to volume growth and price increase; and
- a decline of 19% in sales of our women's health products, primarily as a result of generic competition to our oral contraceptive product, Seasonique®, that commenced in the third quarter of 2011.

Other Revenues

In 2011, other revenues in the United States amounted to $39 million, compared to $5 million in 2010. These revenues were generated in the fourth quarter from sales of OTC products to P&G at cost pursuant to a manufacturing agreement.

On July 31, 2009, we entered into a consent decree with the FDA with respect to the operations of Teva Animal Health. The consent decree mandated that all Teva Animal Health products be recalled and all finished goods inventory be destroyed. In October 2010, Teva Animal Health resumed selling certain third party manufactured products, and on February 3, 2012, Teva Animal Health received authorization to resume manufacturing and distribution activities related to our non-sterile liquid products. We continue to pursue remediation of the Teva Animal Health manufacturing site. During the fourth quarter of 2011, the site's fixed assets and related intangibles were impaired as a result of the extensive time and expenses related to the remediation, resulting in an $85 million charge. At December 31, 2011, we had remaining approximately $15 million of intangible assets and approximately $39 million of fixed assets and inventory relating to animal health products.

Comparison of 2010 to 2009. In 2010, our revenues in the United States amounted to $9.4 billion, a 15% increase over 2009. Generics revenues in 2010 amounted to $5.8 billion, and branded revenues amounted to $3.6 billion. The increase was attributable primarily to the following:

- the launch of our generic version of Effexor XR® (venlafaxine HCl ER) pursuant to a settlement agreement with Wyeth Pharmaceuticals;

- launches of our generic versions of Yaz® (drospirenone and ethinyl estradiol, which we market as Gianvi™), Cozaar® (losartan potassium), Hyzaar® (losartan potassium—hydrochlorothiazide) and Mirapex® (pramipexole dihydrochloride), which was launched in the first quarter of 2010 pursuant to an agreement with Boehringer Ingelheim;
- sales of products launched before 2010 that had higher revenues in 2010, primarily the generic versions of Pulmicort® (budesonide inhalation), which was re-launched in December 2009 pursuant to a settlement agreement with AstraZeneca, and Accutane® (isotretinoin, which we market as Claravis™);
- continued growth in sales of Copaxone®, in-market sales of which increased by $371 million in 2010 over 2009. We benefited from record in-market sales of Copaxone® in the U.S. due to price increases and, to a lesser extent, volume growth;
- 41% growth in sales of Qvar®, our inhaled corticosteroid; and
- increased in-market sales of Azilect®, which grew by 34% over 2009.

These factors were partially offset by a 13% decrease from 2009 in sales of ProAir™ due to strong competition in the short-acting beta agonist market and decreased demand related to a less severe flu season in 2010.

Europe

Sales in Europe in 2011 amounted to $5.7 billion, an increase of 43% compared to 2010. In local currency terms, sales grew by 37%, primarily due to the inclusion of a full year of ratiopharm's sales, the acquisitions of Theramex and Cephalon and the transition of marketing responsibility for Copaxone® from Sanofi to Teva in many European markets. During 2011, the main European currencies affecting our sales (the euro, British pound and Hungarian forint) strengthened in value against the U.S. dollar (on an annual average compared to annual average basis).

Generic Products

Revenues for generic products in Europe reached $3.8 billion, an increase of 44%, primarily due to the inclusion of a full year of ratiopharm's sales and the acquisition of Cephalon (including Mepha, its Swiss generics subsidiary), as well as an increase in API sales. In 2011, we enhanced our position as the leading generic pharmaceutical company in Europe, and, with the inclusion of Mepha, improved our market position significantly in certain key European countries such as Switzerland. During 2011, we had 441 product launches across Europe.

As of December 31, 2011, Teva had received 1,241 generic approvals in Europe relating to 152 compounds in 331 formulations, including 10 European Medicines Agency ("EMA") approvals valid in all EU member states. In addition, Teva had approximately 2,530 marketing authorization applications pending approval in 30 European countries, relating to 288 compounds in 546 formulations, including 11 applications pending with the EMA. During 2011, we continued to register products in the EU, using both the mutual recognition procedure (submission of applications in other member states following approval by a so-called reference member state) and the decentralized procedure (simultaneous submission of applications to chosen member states). We continue to use the centralized procedure to register our generic equivalent version of reference products that originally used this procedure.

Branded Products

Sales of branded products in Europe amounted to $1.1 billion, an increase of 48% compared to 2010. The change was driven by the inclusion of Theramex and Cephalon and increased sales of Copaxone®, but was also due to the transition of the marketing rights for Copaxone® to us from Sanofi in several European countries such as Germany, Portugal, Sweden, Austria and Norway, as well as growth in markets where Teva already had exclusive marketing rights. On February 1, 2012, we assumed marketing responsibility from Sanofi for Copaxone® in all remaining European countries.

Our 2011 acquisitions of Cephalon and Theramex substantially enhanced our branded product offerings. With the acquisition of Cephalon, well-recognized brands such as Provigil®, Effentora®, Spasfon®, Myocet® and Actiq® have been added to our branded portfolio and are sold, either directly by us or through third party distributors, in many European markets, mainly France, the United Kingdom, Germany, Spain and Italy. With the acquisition of Theramex, in January 2011, we established a European women's health platform. In 2011, we received a marketing approval for Zoely®, a new oral contraceptive developed by Théramex and Merck and Co. The approval of Zoely® marks an important step in our strategy to enhance our women's health product line. Zoely® was launched in France in December 2011 and in Belgium in January 2012. We hold the marketing rights for Zoely® in several European countries.

Other Revenues

Other revenues amounted to $749 million, compared to $564 million in 2010, an increase of 33%, due to the inclusion of a full year of ratiopharm's sales in 2011, which brought a strong OTC presence to Teva in various markets such as Germany, Austria and Finland, as well as an increase in our Hungarian third party distribution activities.

Listed below are highlights for 2011 in our most significant European operations in terms of size:

- **Germany**: Sales in Germany increased in 2011 primarily due to the inclusion of a full year of ratiopharm's sales, and to a lesser extent, the transfer of the marketing responsibility for Copaxone® to Teva in mid October 2011. Our generic sales in Germany had a slight increase in terms of volume and value in 2011. By the end of 2011, we achieved the number one position in the generic market both in volume and value.
- **France:** Sales in France increased in 2011 primarily due to the inclusion of a full year of ratiopharm's sales as well as the integration of Theramex, which strengthened our position as the third-largest generic pharmaceutical company in France in terms of sales. With the inclusion of Cephalon and Theramex, we have a balanced business in France.
- **United Kingdom:** We are the largest generic pharmaceutical company in the U.K. in terms of sales. In 2011 we further increased our market share, despite a large number of competitors. Our revenues in 2011 increased, primarily due to new product launches, including the generic version of Lipitor® (atorvastatin), which were partially offset by price reductions for more widely available generic products, so called "Category M" products, and the decrease in value of generic pharmaceuticals generally in 2011.
- **Italy:** Sales in Italy increased in 2011 primarily due to the inclusion of a full year of ratiopharm's sales, which strengthened our position as the leading generic pharmaceutical company in Italy. With the acquisitions of Cephalon and Theramex, we added strong branded products to our portfolio. The market for generic pharmaceuticals continued to show growth of more than 10% in 2011 (based on IMS data as of November 2011).
- **Spain:** Sales in Spain grew in 2011 primarily due to the inclusion of a full year of ratiopharm's sales. The market for generic pharmaceuticals showed enhanced growth of well above 10% (based on IMS data as of November 2011). In 2011, the Spanish market was further influenced by healthcare saving measures and reforms that mandate INN (chemical molecule name) prescription and reductions in reimbursement prices.

Comparison of 2010 to 2009. Total sales in Europe in 2010 amounted to approximately $3.9 billion, an increase of 21% compared to 2009. The main contributors to this increase were the inclusion of ratiopharm sales, commencing in August 2010, mainly in Germany, France, Spain and Italy, higher sales of generic pharmaceuticals and higher sales of APIs as well as increased sales of Copaxone® and Azilect®.

Rest of the World ("ROW") Markets

These markets include all countries other than the United States and the countries we include as "Europe". ROW markets range from pure generic markets, such as Canada and Israel, to markets in which generic products are marketed and sold under brand names, such as several Asian and Latin American markets. Sales of branded generic products usually generate higher gross margins but also involve considerably higher marketing expenditures than do non-branded generics. These markets also vary widely in size, growth rates, availability of biosimilar approval pathways and the importance and acceptance of OTC products.

Our revenues in ROW markets reached an aggregate of $3.9 billion in 2011, an increase of 39% as compared to 2010. In local currency terms, revenues grew by 34%. Sales of generic products amounted to $2.4 billion, which represent 63% of the total revenues in the region; sales of branded products amounted to $588 million, or 15% of total revenues in the region; and other revenues were $835 million, or 22% of total sales in the region.

Approximately 23% of our ROW revenues were generated in Canada and other markets, 21% in Latin America, 20% in Russia and other Eastern European markets, 19% in Japan and other Asian markets, and 16% in Israel. In Latin America, revenues grew by 11% both in dollar terms and in local currency terms, as compared to 2010. The increase was primarily driven by strong generic and OTC performance, as well as by increased sales of Copaxone® and our other branded products. The acquisition of Infarmasa in February 2011 strengthened our OTC and generic portfolio in Peru. The increase was partially offset by a reduction in revenues as a result of the divestment of our pharmacy chain in Peru in February 2011. We achieved growth in all markets. We slightly increased our market share of Copaxone® and continued to maintain our market share for all other markets across the region.

In Canada, where we are one of the two leading generic pharmaceutical companies, revenues in 2011 increased by 33%, primarily due to the inclusion of a full year of ratiopharm's sales and new product launches. As of December 31, 2011, we had 61 product registrations awaiting approval by the Therapeutic Products Directorate of Health Canada. Collectively, the branded versions of these products had Canadian sales in 2011 of approximately $3.6 billion.

Our revenues in Russia and other Eastern European markets in 2011 grew by 29% in dollar terms and by 26% in local currency terms, as compared to 2010. The growth was mainly attributable to strong sales of OTC products and generic products, enhanced by the inclusion of a full year of ratiopharm's sales, which had a significant effect on revenues in Russia, Ukraine and Kazakhstan. Sales of Copaxone® in Russia in 2011 declined compared to 2010, due to a delay in the annual governmental tender. In that tender, which was held in the beginning of 2012, Teva was awarded a significantly higher volume. In 2011, our market shares in most major countries in Eastern Europe increased or remained at the same level compared to 2010. In Russia, we are now the second largest generic pharmaceutical company by value. In Ukraine we are a top-five generics company, and we are the largest generics company in Kazakhstan.

The generic pharmaceutical markets in South Eastern Europe, primarily Croatia and the other former Yugoslav states, declined due to stagnant economies and pricing and competitive pressures. Teva's sales in these markets were impacted by general market conditions and new competitive entrants.

Sales in Israel in 2011 increased by 10% in dollar terms and by 7% in local currency terms, as compared to 2010, primarily driven by distribution revenues and sales of medical products.

Our sales in Asia in 2011 grew substantially compared to 2010, primarily due to our Japanese acquisitions. On January 25, 2012, we announced our plans to consolidate our Taiyo and Teva-Kowa activities to form a new "Teva Seiyaku" company at the beginning of April 2012.

Comparison of 2010 to 2009. Revenues in our ROW markets during 2010 amounted to approximately $2.8 billion, an increase of 13% compared to 2009. In 2010, approximately 26% of such revenues were generated in Latin America, 25% in Canada and all other markets, 22% in Russia and other Eastern European markets, 20% in Israel, and 7% in Asia.

Revenues by Product Line

	Year Ended December 31						Percentage Change Comparison	
	2011	2010	2009	% of 2011	% of 2010	% of 2009	2011-2010	2010-2009
	U.S. $ in millions						%	%
Generics	**10,196**	**9,907**	**8,464**	**56**	**61**	**61**	**3**	**17**
API	747	641	565	4	4	4	17	13
Branded Products	**6,493**	**4,855**	**4,202**	**35**	**30**	**30**	**34**	**16**
CNS	4,412	3,202	2,665	24	20	19	38	20
Copaxone®	3,570	2,958	2,486	19	18	18	21	19
Provigil®	350	—	—	2	—	—	—	—
Azilect®	290	244	179	2	2	1	19	36
Nuvigil®	86	—	—	*	—	—	—	—
Respiratory	878	747	775	5	5	6	18	(4)
ProAir™	436	396	455	2	2	3	10	(13)
Qvar®	305	250	202	2	2	1	22	24
Women's Health	438	374	357	2	2	3	17	5
Oncology	268	74	50	1	*	*	262	48
Treanda®	131	—	—	1	—	—	—	—
Other Branded	497	458	355	3	3	3	9	29
All Others	**1,623**	**1,359**	**1,233**	**9**	**8**	**9**	**19**	**10**
OTC	765	496	457	4	3	3	54	9
Other Revenues	858	863	776	5	5	6	(1)	11
Total	**18,312**	**16,121**	**13,899**	**100**	**100**	**100**	**14**	**16**

* Less than 0.5%

Generics

Our generic products category includes sales of our generic products as well as API sales to third parties.

Sales of generic products grew by $289 million, or 3%, in 2011 over 2010. Our largest market for generics is the United States, with revenues of approximately $4.0 billion, down 32% from 2010 and representing approximately 39% of total generics revenues in 2011. The decrease resulted from declining sales of key 2010 launches, as well as from supply constraints as a result of regulatory issues, primarily at our Irvine and Jerusalem facilities.

Revenues from generic products in Europe in 2011 amounted to $3.8 billion, an increase of 44% over 2010. The increase was primarily due to the inclusion of a full year of ratiopharm, as well as the acquisition of Cephalon's generics business, which is largely based in Europe. In local currency terms, sales grew by 37%.

In our ROW markets, generics sales amounted to approximately $2.4 billion, an increase of 64% over 2010. The increase was mainly due to the acquisition of Taiyo in Japan and the further consolidation of our activities in the country, the acquisition of the ratiopharm business in Canada, and growth in Latin America and Eastern Europe. In local currency terms, sales grew by 59%.

In 2010, revenues from generic products in the United States were approximately $5.8 billion, an increase of 15% over 2009. Revenues from generic products in Europe amounted to approximately $2.6 billion, an increase of 30% over 2009. Generic product revenues in the ROW markets in 2010 were approximately $1.5 billion, an increase of 6% over 2009.

Active Pharmaceutical Ingredients (API)

API sales to third parties in 2011 amounted to $747 million, an increase of 17% over 2010. This growth occurred in all of our principal geographical markets and was largely attributable to increased demand from existing customers, as well as to several new product launches. The growth also resulted from strong sales in certain markets in Asia and Central and Eastern Europe.

Comparison of 2010 to 2009. Sales to third parties in 2010 amounted to $641 million, an increase of 13% compared to 2009. The increase in sales in 2010 occurred mainly due to growth in our principal geographical markets.

Branded Products

Teva's revenues from branded products amounted to approximately $6.5 billion in 2011, an increase of 34% over 2010.

In 2011, we revised our classification of certain products and grouped our branded products into five categories: Central Nervous System, Respiratory, Women's Health, Oncology and Other.

Central Nervous System

Our central nervous system ("CNS") product line includes Copaxone® and Azilect® as well as certain additions to our portfolio following the Cephalon acquisition, in particular Provigil® and Nuvigil® for the treatment of wakefulness, Amrix®, Actiq® and Fentora® for the treatment of pain, and Gabitril® for the treatment of epilepsy. In 2011, our CNS sales reached approximately $4.4 billion, an increase of 38% over 2010, primarily due to higher sales of Copaxone®, the addition of the Cephalon acquired products in the fourth quarter and an increase in Azilect® sales.

Copaxone®. In 2011, Copaxone® (glatiramer acetate injection) continued to be the leading multiple sclerosis therapy in the U.S. and globally. Global in-market sales, which represent sales of Copaxone® to third parties, grew by 18% over 2010, reaching $3.9 billion. Our sales of Copaxone® amounted to approximately $3.6 billion. Price increases and positive currency effects accounted for nearly two thirds of the increase, and unit growth accounted for the remainder. Copaxone® was responsible for a very significant contribution to our profits and cash flow from operations in 2011.

In 2011, sales of Copaxone® in the United States increased 22% to $2.8 billion, and non-U.S. in-market sales increased by 8% to $1.1 billion compared to 2010. Growth in U.S. sales of Copaxone® was driven by a price increase in January 2011 of 14.9% as well as by unit growth. The increase in non-U.S. sales, primarily in Italy, Spain, France, the United Kingdom, Brazil and Mexico, was driven by unit growth as well as positive currency effects, which were partially offset by governmental cost-containment measures. U.S. sales accounted for 72% of global Copaxone® sales in 2011, compared with 69% in 2010.

On February 1, 2012, we completed the assumption of marketing responsibility for Copaxone® from Sanofi in Europe, and on March 1, 2012 we will assume marketing responsibility in Australia and New Zealand. Sanofi is entitled to receive 6% of the in-market sales of Copaxone® in the applicable European countries for a period of two years from our assumption of the marketing responsibilities. As a result, beginning March 1, 2012, Sanofi will also no longer share any of our Copaxone® selling and marketing expenses. This termination of our marketing arrangements with Sanofi will eventually result in increases in our net sales of Copaxone®.

Copaxone® has been approved for marketing in the United States, Canada, Israel, all European Union countries, and several other markets. U.S. market shares in terms of new and total prescriptions were 37.0% and 40.2%, respectively, according to December 2011 IMS data.

Comparison of 2010 to 2009. In 2010, in-market global sales of Copaxone® were approximately $3.3 billion, an increase of 17% over 2009. U.S. sales in 2010 accounted for 69% of global sales of Copaxone®. The growth of in-market sales of Copaxone® in the U.S. in 2010 also reflected the impact of two price increases of 9.9% each.

Provigil®. Following the acquisition of Cephalon, our Provigil® sales amounted to $350 million in the fourth quarter of 2011. We expect that Provigil® will face competition in the United States beginning in April 2012, and that Provigil® sales will materially decline as a result.

Azilect®. Our once-daily treatment for Parkinson's disease, Azilect® (rasagiline tablets), continued to establish itself in the United States and Europe. We jointly market Azilect® with Lundbeck in certain key European countries. We exclusively market Azilect® in the United States and certain other markets, while Lundbeck exclusively markets Azilect® in the remaining European countries and certain other international markets. Azilect® has been approved for marketing in the United States, Europe as well as in selected ROW markets.

Global in-market sales, which represent sales to third parties, in 2011 reached $393 million compared to $318 million in 2010, an increase of 24%. Our sales of Azilect® amounted to $290 million, an increase of 19% compared to 2010. The increase in sales is attributable primarily to volume growth worldwide and to a lesser extent due to price increases in the United States. Outside the United States, sales of Azilect® increased mainly in Germany, France, Spain and Turkey.

Nuvigil®. Following the acquisition of Cephalon, our global Nuvigil® sales amounted to $86 million in the fourth quarter of 2011.

Comparison of 2010 to 2009. In 2010, sales of our CNS products amounted to approximately $3.2 billion, compared to $2.7 billion in 2009.

Respiratory Products

We include only branded products in our respiratory product line, the main products of which are ProAir™ and Qvar®. Sales from generic products indicated for the treatment of respiratory disease are reported as part of our generic drug sales.

Revenues from our respiratory branded products increased by 18% in 2011 to $878 million, primarily due to an increase of 16% in the United States. In addition, revenues in Europe increased by 20% (reflected in all major markets, including Germany, the United Kingdom, France and Italy).

ProAir™ (albuterol HFA), which we sell only in the United States, is a short-acting beta-agonist (SABA) for the treatment of bronchial spasms linked to asthma or COPD and exercise-induced bronchospasm. ProAir™ sales reached $436 million, an increase of 10% compared to 2010. ProAir™ maintained its leadership in the SABA market, with an average market share of 50.7% in terms of total number of prescriptions during the fourth quarter of 2011 as compared to 47.6% in the fourth quarter of 2010.

Qvar® (beclomethasone diproprionate HFA) is an inhaled corticosteroid for long-term control of chronic bronchial asthma, Qvar® global sales reached $305 million, an increase of 22% from the prior year. Qvar® maintained its second-place position in the inhaled corticosteroids category in the United States with an average market share of 23.6% in terms of total number of prescriptions during the fourth quarter of 2011, compared to 20.6% in the fourth quarter of 2010. Sales of Qvar® increased in the principal markets in Europe as well, most notably in Germany and France.

Comparison of 2010 to 2009. In 2010, sales of our respiratory products amounted to approximately $747 million, compared to $775 million in 2009.

Oncology Products

Our branded oncology product line includes certain Cephalon products as well as our biosimilar products indicated mainly for the treatment of side effects of oncology treatments. Sales of these products reached $268 million in 2011 as compared to $74 million in 2010. The increase resulted primarily from the inclusion of Cephalon's cancer treatments as of the fourth quarter of 2011.

Sales of Treanda®, our largest selling oncology product, reached $131 million in the fourth quarter of 2011. During 2011, sales of biosimilar oncology pharmaceuticals reached $102 million, as compared with $74 million in 2010, mainly driven by the inclusion of ratiopharm's sales and the continued growth of our biosimilar granulocyte colony stimulating factor (GCSF) in Europe.

In 2009, sales of biosimilar oncology pharmaceuticals reached $50 million.

Women's Health Products

Our women's health product line includes our branded women's health products, but does not include revenues from generic women's health products which are reported as part of our generic drug sales.

Our global women's health branded products had revenues of $438 million, an increase of 17% from $374 million in 2010, primarily driven by the inclusion of the Theramex women's health products in Europe and in the ROW markets, commencing January 2011.

U.S. sales declined by 19% over 2010, mainly as a result of generic competition to our oral contraceptive product, Seasonique® starting in the third quarter of 2011.

Comparison of 2010 to 2009. In 2010, sales reached $374 million, an increase of 5% from $357 million in 2009.

All Others

OTC

PGT Healthcare, which commenced operations on November 1, 2011, combines the OTC portfolios of Teva and P&G outside of North America. The combined portfolio represents PGT Healthcare's in-market sales. Teva owns a 49% interest in PGT Healthcare, with P&G owning the remaining 51%.

PGT Healthcare's in-market sales (*i.e.*, the joint venture's sales to third parties), for the two months ended December 31, 2011 amounted to $237 million. Teva's sales relating to the joint venture amounted to $165 million, including $31 million of sales at cost to P&G pursuant to supply arrangements for P&G's North American OTC business.

Our OTC sales for the full year 2011, which include Teva's sales relating to our joint venture with P&G, were $765 million, a 54% increase over 2010, due primarily to the full year inclusion of ratiopharm's sales.

Comparison of 2010 to 2009. In 2010, our OTC sales were $496 million, an increase of 9% over 2009.

Other Revenues

Other revenues include sales of third party products for which we act as distributors (mostly in Israel and Hungary), animal health products and medical products, as well as miscellaneous items.

In 2011, we recorded sales of $858 million in this category, a slight decline from the sales recorded in 2010. The decline was due to the divestment of our pharmacy chain in Peru in February 2011, which was almost completely offset by the growth in our distribution services in Israel and Hungary as well as the sale of medical products in Israel.

Comparison of 2010 to 2009. In 2010, we recorded sales of $863 million, an increase of 11% over 2009.

Other Income Statement Line Items

Gross Profit

In 2011, gross profit amounted to $9.5 billion, an increase of 5%, or $450 million compared to 2010. The higher gross profit was mainly a result of our higher overall revenues, which was partially offset by higher inventory step-up charges, related to the Cephalon, Taiyo, Theramex and Infarmasa acquisitions, higher charges related to the amortization of purchased intangible assets, primarily of ratiopharm (which commenced in the first quarter of 2011) and of Cephalon (which commenced in part in the fourth quarter of 2011), as well as higher costs related to regulatory actions taken in various facilities.

Gross profit margins were 52.0% in 2011, compared with 56.2% in 2010. The decrease in gross margin primarily reflects the product mix in the U.S., which included a fewer number of high-margin generic products, as well as the factors described above. These factors were partially offset by an increase in sales of our higher margin innovative and branded products, mainly Copaxone®, Azilect®, ProAir™ and Qvar® as well as the newly acquired Cephalon products, mainly Provigil®, Treanda® and Nuvigil®.

Comparison of 2010 to 2009. Gross profit increased in 2010 to $9.1 billion from $7.4 billion in 2009, an increase of 23%. Gross profit margins were 56.2% in 2010, compared to 53.0% in 2009.

Research and Development (R&D) Expenses

Net R&D spending for 2011 grew by 15% over 2010 and reached $1.1 billion. As a percentage of revenues, R&D spending reached 6.0% in 2011, as compared to 5.9% to 2010.

In 2011, we increased R&D spending in our branded R&D activities, including research and development of biosimilar, women's health and other innovative products as clinical activities progressed and Cephalon's R&D activities were integrated in the fourth quarter of 2011. Following Cephalon's integration, the share of our branded R&D (CNS, respiratory, women's health and oncology products) increased to approximately 57% of our 2011 R&D expenditures, while the balance was for generic R&D.

During 2011, we were reimbursed $31 million for related R&D efforts incurred as part of the Teva-Lonza joint venture. This reimbursement has been recorded as a reduction in research and development expenses. Our share in the joint venture's expenses in 2011 was approximately $36 million and is reflected in the income statement under "share in losses of associated companies—net."

Comparison of 2010 to 2009. Research and development expenses increased in 2010 to $951 million from $825 million in 2009, an increase of 15%. Slightly more than half of our 2010 R&D expenditures was for generic R&D, and the balance was for our innovative, respiratory, women's health and biosimilar products.

Selling and Marketing (S&M)

S&M expenses in 2011 amounted to $3.5 billion, an increase of 17% over 2010. As a percentage of revenues, S&M expenses were 19.0% in 2011 compared to 18.4% in 2010. The increase in dollar terms was primarily due to the consolidation of ratiopharm (commencing August 2010), Theramex (commencing January 2011), Infarmasa (commencing February 2011), Taiyo (commencing July 2011) and Cephalon (commencing October 2011) as well as changes in currency exchange rates. The increase was partially offset by the termination of our obligation to pay Sanofi 25% of the in-market sales of Copaxone® in U.S. and Canada through March 31, 2010, as described below, as well as the sale of our Peruvian pharmacy chain in February 2011 and lower royalty payments made on generic products in the U.S. (mainly on generic versions of Mirapex®, Yaz®, Effexor XR® and Yasmin®, partially offset by higher payments on generic versions of Zyprexa® and Pulmicort®).

Comparison of 2010 to 2009. S&M expenses in 2010 amounted to $3.0 billion, an increase of 11% over 2009. As a percentage of revenues, S&M expenses decreased from 19.3% in 2009 to 18.4% in 2010.

Copaxone® was originally co-promoted with Sanofi in Germany, France, Spain, the Netherlands and Belgium, and was marketed solely by Sanofi in certain other European markets, Australia and New Zealand. Effective as of February 1, 2012, we assumed all marketing responsibility for Copaxone® in Europe, and on March 1, 2012 we will assume marketing responsibility in Australia and New Zealand. Sanofi is entitled to receive, on a country-by-country basis, 6% of the in-market sales of Copaxone® in certain European countries until 2014. Although we expect to record higher revenues as a result of this change, we will also become responsible for certain marketing and administrative expenses, which will no longer be shared with Sanofi.

General and Administrative Expenses (G&A)

G&A expenses in 2011 amounted to $932 million compared with $865 million in 2010, an increase of 8%. As a percentage of revenues, G&A expenses decreased to 5.1% for 2011 from 5.4% for 2010. The increase in G&A expenses in dollar terms resulted primarily from the inclusion of ratiopharm for a full year in 2011 as compared to five months in 2010, as well as the inclusion of Cephalon, Taiyo and the joint venture with P&G for parts of the year, and exchange rate differences, and was partially offset by gains recognized from the sale of our Peruvian pharmacy chain and the acquisition of additional holdings in CureTech and in our Japanese venture. The latter transactions gave us control of these entities, triggering a gain of $135 million.

Comparison of 2010 to 2009. G&A expenses in 2010 amounted to $865 million, an increase of 5% over 2009, and as a percentage of revenues, G&A expenses decreased to 5.4% for 2010 from 5.9% for 2009.

Legal Settlements, Acquisition, Restructuring and Other Expenses and Impairment

Legal settlements, acquisition, restructuring and other expenses and impairment resulted in expenses of $901 million in 2011 as compared to $410 million in 2010. Legal settlement expenses were primarily related to intellectual property and product liability litigation.

During 2011, we reached the following settlements:

- A settlement with Pfizer Inc. of patent litigation related to generic versions of Pfizer's Neurontin® (gabapentin) capsules and tablets sold by Teva and its subsidiary IVAX Pharmaceuticals. The settlement between the parties provides for a full release of Teva and its subsidiaries and a one-time payment to Pfizer. The financial terms of the settlement are confidential.
- A settlement agreement with Novartis regarding patent litigation related to amlodipine/benazepril (Lotrel®). The settlement provides for a full release for past sales and a royalty-free license for future sales of all strengths. The financial terms of the settlement are confidential.
- A settlement with the plaintiffs in the majority of the propofol product liability cases where hepatitis C infection was alleged. Teva has established a provision covering both the settlement and the estimated cost of the remainder of these cases.

Our 2011 results include restructuring expenses of $192 million, which include severance costs of $154 million, primarily in connection with the Cephalon acquisition. These expenses relate mainly to integration of new businesses. Our cost reduction initiatives, which were undertaken to meet the challenges of our business environment and future opportunities, include the closure of certain manufacturing and R&D facilities and related streamlining of staff functions and work force.

Acquisition expenses in 2011 of $37 million were primarily related to the Cephalon acquisition.

Impairment of long-lived assets of $201 million for the year ended December 31, 2011 related primarily to our animal health business in the United States and a divestiture in connection with the Cephalon acquisition. Impairment of long-lived assets of $124 million in 2010 consisted primarily of impairments of intangible assets and fixed assets as a result of the decisions to restructure the Irvine injectable products facility.

Operating Income

Operating income was $3.1 billion in 2011, down from $3.9 billion in 2010. As a percentage of revenues, operating margin was 17.0% compared to 24.0% in 2010. The decline in operating income was mainly a result of the increase in operating expenses (selling and marketing, general and administrative and research and development) as a result of the ratiopharm, Cephalon, Taiyo and Theramex acquisitions, an increase in legal settlements, higher charges related to the amortization of ratiopharm's intangible assets, which commenced in the

first quarter of 2011, and of Cephalon's intangible assets, which commenced in part in the fourth quarter of 2011, as well as higher impairment charges mainly related to our animal health business in the U.S and a divestiture in connection with the Cephalon acquisition. The decrease in operating income was partially offset by higher net revenue and gross profit as previously discussed as well as lower royalty payments (recorded within selling and marketing expenses).

Comparison of 2010 to 2009. Operating income in 2010 amounted to $3.9 billion, an increase of 61% over 2009, and as a percentage of revenues, operating income increased to 24.0% for 2010 from 17.3% for 2009.

Financial Expenses

In 2011, financial expenses amounted to $153 million, compared to $225 million in 2010. The decrease resulted primarily from gains resulting from the termination during 2011 of interest rate swap agreements relating to the 6.15% senior notes due 2036 and hedging costs in connection with the ratiopharm acquisition that were recorded in 2010, partially offset by interest expenses on the Taiyo and Cephalon financing. In 2011, interest expenses were higher as a result of an increase in debt. We expect interest expenses to remain relatively high for much of 2012.

Comparison of 2010 to 2009. In 2010, financial expenses amounted to $225 million, compared to $202 million in 2009. The $23 million increase was primarily attributable to hedging costs in connection with the ratiopharm acquisition, partially offset by lower interest expenses and gains from the sale of marketable securities and auction rate securities.

Tax Rate

The provision for taxes amounted to $127 million or 4% of our pre-tax income of $3.0 billion in 2011. In 2010, the provision for taxes amounted to $283 million, or 8% of pre-tax income of $3.6 billion. In 2009, the provision for taxes amounted to $166 million, or 8% of pre-tax income of $2.2 billion. The effective tax rate for 2011 is the result of the geographic mix and type of products sold during the year, and a variety of factors, including different effective tax rates applicable to non-Israeli subsidiaries that have tax rates above Teva's average tax rates (including the impact of legal settlements, restructuring and impairment charges on such subsidiaries). We expect that the tax rate in future years will be higher, as a result of the product mix projected for these years.

The statutory Israeli corporate tax rate was 24% in 2011, compared to 25% in 2010 and 26% in 2009. This rate has increased in 2012 to 25%. However, this increase is expected to have a relatively small impact on our provision for taxes, as our effective consolidated tax rates have historically been considerably lower, because a major portion of our income is derived from "approved enterprises" in Israel (as more fully described in "Item 10: Additional Information—Israeli Taxation" below). In addition, in certain locations outside of Israel we have been enjoying lower tax rates.

Most of our investments in Israel were granted approved enterprise status, which confers certain tax benefits. These benefits include a long-term tax exemption for undistributed income generated by such projects, and lower rates of tax on dividends distributed from other projects, the source of which is approved enterprise income, for the periods set forth in the law, as described in "Item 10: Additional Information—Israeli Taxation." Concurrently, we enjoy investment-related and R&D-related tax incentives in many of our facilities around the world.

In the future, the effective tax rate is expected to fluctuate as a result of various factors, including changes in the products and geographical distribution of our income, the effect of any mergers and acquisitions, the effects of statutes of limitations and legal settlements which may affect provisions for uncertain tax positions.